





David Satter in Moscow looks at the host of Soviet peace proposals and finds a certain sameness about them



Afghan tribesmen stand before their black tents armed with captured automatic rifles.

## Russians buy time with peace offers

WITH AFGHANISTAN far from pacified, but at least firmly under Soviet control, the conflict has entered a new stage which, borrowing a phrase from 40 years ago, might best be described as the "phony war."

A bewildering series of proposals, suggestions and "hints" have been put about by the Soviet and Afghan governments to the effect that Soviet troops can be withdrawn when "outside interference" in Afghanistan is brought to an end.

M. Valery Giscard d'Estaing, the French President, met Mr. Leonid Brezhnev, the Soviet President, in Warsaw in an avowed effort to "keep the lines of communication open." Herr Helmut Schmidt, the West German Chancellor, is to go to Moscow later this month where the Kremlin may try to persuade him to sign a new West German-Soviet 25-year economic agreement.

The number of Soviet troops in Afghanistan has levelled off at 80,000, with another 25,000 stationed across the border. Is an agreement on Soviet troop withdrawals at all likely? If precedent is any guide it is far more likely that the West is witnessing a careful campaign whose purpose is to undermine support in Western Europe for economic sanctions against the Soviet Union and prepare the ground for the eventual recognition, particularly in the

Muslim world, of the Soviet-backed government of Mr. Babrak Karmal.

Soviet official spokesmen are still repeating Mr. Brezhnev's statement to President Carter that an end to "outside interference" is a precondition for Russian withdrawal. They continually reformulate their position to create the impression that they are offering something new.

By "outside interference," the Soviet authorities mean the

return for troop withdrawals because the U.S. might not be able to restrain all the elements in Afghanistan.

In April, the Karmal government offered to open negotiations towards normal relations with Iran and Pakistan based on an end to "outside interference" in Afghanistan's internal affairs. The offer was doubly unrealistic because Iran and Pakistan not only have no interest in helping suppress the Afghan rebellion but they also

surry of "peace feelers," he has little prospect of achieving more than M. Giscard d'Estaing in changing the Russian position on Afghanistan but by his very presence he will, like the French President before him, make Soviet peace moves more credible to the rest of the world.

The Soviet leaders are often regarded as heavy-handed but they are frequently shrewd enough to outmanoeuvre their Western counterparts. The Soviet authorities realise that West European businessmen have no desire to make economic sacrifices to deter future Afghanistans and the peace offensive is intended to reinforce this reluctance.

In fact, the peace offensive is not likely to be followed by real peace but rather by a rapid doubling or tripling of Soviet troops. The war is going badly for the Russians in Afghanistan and military observers believe that it may take up to a quarter of a million men to begin to pacify the country. This prospect might be daunting for a democratic country but the Soviet Union is different. Soviet political authority is ideological and based on an understanding of the supposed iron laws of history. The Soviet "Afghan revolution" after having committed their troops and prestige to it without undermining their own authority as well.

If precedent is any guide, the West is witnessing a careful campaign to undermine European support for economic sanctions against the Soviet Union and to prepare the ground for the eventual recognition of the Moscow-backed Karmal government.

rebellion among Afghans against Soviet occupation. When they speak of an end to "outside interference," they are looking for an end to foreign support for the rebels and the complete collapse of the revolt.

Mr. Brezhnev himself suggested this when he told Mr. Armand Hammer, the president of Occidental Petroleum and a major supporter of U.S.-Soviet trade, that the Soviet Union would not insist on U.S. guarantees of an end to all "outside interference" in

want no part of the Karmal government, which neither country recognises.

The most recent reformulation was the Afghan proposal on May 14 which combined the invitation to Iran and Pakistan with the Soviet offer to withdraw troops in return for U.S. guarantees of an end to "outside interference."

Herr Schmidt is now expected to arrive in Moscow on June 30 for the first visit of a Western leader to Moscow since the Afghan invasion but despite the

## Community attacked over Spain entry talks

By Robert Graham in Madrid

THE SPANISH Minister for European Affairs, Sr. Leopoldo Calvo Sotelo, has accused the EEC of dragging its heels in the negotiation of Spain's entry to the Community. The accusation was made Monday during a two-day closed door debate in Brussels between members of the European and Spanish Parliaments.

This is the first time that Spain has revealed its concern at a slowdown in the pace of negotiations. Although the Madrid Press yesterday published detailed reports giving prominence to Sr. Calvo Sotelo's speech.

Sr. Calvo Sotelo said that although Spain still adhered to the European idea, it was being eroded by the EEC's tough posture and the attitudes of some European political parties—an indirect reference to the French.

He directly disagreed with points made by the vice-commissioner, Sr. Lorenzo Nolasco, who said that the transition time for agriculture should be 10 years and the introduction of VAT should have immediate effect.

Sr. Calvo Sotelo added: "For several months the internal problems of the Community have delayed decisions on such important matters as agriculture, fishing and the budget."

Spain, now regarded the Community's problems as also its own. It was willing to show understanding. But he added: "We have also had our own internal problems, which have been just as big, and this has not prevented us from maintaining the necessary pace for negotiations."

It would be illusory to pretend that, in the future, there could be a time when the Community had no internal problems, he said.



Sr. Calvo Sotelo: accused EEC of dragging its feet over negotiations

## Arbed mergers approved

By Giles Merritt in Brussels

THE EUROPEAN Commission has announced it is permitting two different mergers involving arms of the big Luxembourg steelmaker, Arbed.

The authorisation, under Article 66 of the Treaty of Paris that set up the European Coal and Steel Community, concerns two deals under which Arbed is aiming to rationalise ancillary operations.

Under the first, Arbed is merging its maintenance and transport activities with West German interests. The Luxembourg steelmaker will hold a 50 per cent stake in a new company aimed at developing transshipment and open cast mining operations, and the remaining 50 per cent will be held by Otto Wolff, of Cologne.

The second deal concerns Arbed's nut and bolt producing units, which are being merged with another West German concern, Baper and Schaurte of Neuss, near Cologne, in a jointly owned company.

Both agreements have been notified to and cleared by the Brussels Commission in order to ensure that they do not create groupings that could evade the EEC competition rules.

## Norway drops safety rule to boost Statfjord output

BY FAY GJESTER IN OSLO

NORWAY IS waiving a safety rule which has held down production from the giant Anglo-Norwegian Statfjord oil and gas field. As a result, oil output from the field is likely to be about 9.5m tonnes next year, against an estimated 5m tonnes.

The rule being waived banned Mobil, the operator company from drilling production wells through a platform shaft which was being used simultaneously for production.

No gas has yet been produced from the field and is to be re-injected until a pipeline has been laid to take it ashore. So far, the Oslo Government has not even decided where it wants the line to go.

Two conditions are attached to the Government's concession over the safety rule: a mobile hotel platform must be stationed beside the production platform, linked to it by a gangway, and the re-injection of field's gas must have started.

The gas re-injection system is expected to be functioning within about a week, and the field's hotel platform—currently undergoing inspection in port by Dr norske Veritas—will be back on site by mid-June. When it arrives, the company will be able to start drilling and production through the same shaft, thus almost doubling output.

Meanwhile, the Norwegian Government has asked Parliament to approve the allocation of additional funds to finance offshore safety training this year. The request, tabled at the weekend, proposes that an extra Nkr 8.7m (£765,000) should be provided this year.

Most of the money, which will come on top of an extra Nkr 16.5m approved recently, will be used to expand facilities or safety training at navy and merchant navy schools. Some Nkr 1.2m of it will fund a group which will study the opportunities for safety training in Norway and abroad.

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"GIVE TO THOSE WHO GAVE—PLEASE"

## Britain backs Helsinki follow-up

BRITAIN BELIEVES that East and West Europe should meet in Madrid in November to review implementation of the Helsinki Final Act, writes David Tonge.

This was said last night in Paris by Mr. Douglas Hurd, Minister of State at the Foreign Office, in a speech to

the parliamentary assembly of the West European Union.

Mr. Hurd said that by invading Afghanistan, the Soviet Union had broken all the principles in the "first basket" of the Helsinki accord. But he hoped that, after examining past performance, it would be possible to keep the Helsinki

process going.

He suggested that new confidence building measures could be considered, but described the proposals made by the Warsaw Pact two weeks ago for a world summit, and backed up by "a whole series of well-worn propaganda proposals," as "not the way forward."

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## EUROPEAN NEWS

## E. Germany's DM 3bn a year from detente

BY LESLIE COLLITT IN BERLIN

EAST GERMANY obtains at least DM 3bn (£720m) annually from West Germany in government and private payments largely as a result of improved political relations between the two countries, according to a study of West German economists.

The German Institute for Economic Research (DIW) in West Berlin notes that West Germany now makes annual transfers of DM 1.5bn to East Germany under a series of agreements. These include the improvement of West Berlin's autobahn, rail and barge links

across East Germany to West Germany, as well as lump payments for use of the East German autobahn to Berlin by West Germans. In addition there are visa charges, minimum currency exchange fees and road-toll charges paid by West Germany and West Berliners, who made some \$1m border crossings last year.

The institute also notes that another DM 1.6bn is transferred privately each year by West Germans to their relatives and friends in East Germany. This includes DM 500m in cash gifts,

which are spent in the hard-currency shops in East Germany, DM 150m in mail order presents and DM 950m in presents sent or carried over the border by Westerners.

The DM 1.6bn is worth an average DM 100 to every East German, or 400 marks in terms of East-German prices for the same luxury goods. After subtracting values for the presents sent to West Germany each year and spending by West Germans visiting the East, the institute calculates that Western private payments are equal

to 5 per cent of East Germany's annual retail trade turnover.

The DIW says it has excluded from calculation the direct intra-German trade, with its DM 850m annual interest-free "swing" credit to East Germany, since it is virtually impossible to determine the benefits accruing to either side.

Over the past 20 years, the importance of this trade to both German states has declined. In 1958, it made up 2.4 per cent of West Germany's foreign trade and 11.2 per cent of East Germany's. In 1978, it was

up 1.6 per cent and 8.2 per cent.

The institute points out that although intra-German trade has grown 11 per cent annually over the past 20 years, East Germany has not derived maximum technological advantage or improvement in its living standards from West German exports. Nearly half of these continue to be raw materials and producer goods. Plant and equipment for investment make up only 25 per cent and industrial consumer goods less than 10 per cent of the West German products exported to East Germany.

## Jenkins to stay full term in Brussels

By John Wyles in Brussels

AN ORDERLY change at the top of the European Commission seems assured after a statement yesterday by Mr. Roy Jenkins, the president, that he intends to stay until the end of the year.

Mr. Jenkins' plans have been the subject of intense speculation in Brussels and London. Since his Dimbleby lecture last year, in which he called for a new British centre party free of left-wing dogma, Mr. Jenkins and some leading right-wing members of the Labour Party have been closely watched for signs that any new political group might be in the making.

Two British newspapers reported he would resign from the Commission this month to launch a new social democratic party in Britain. But a statement issued here on Mr. Jenkins' behalf yesterday said: "It is and always has been his intention to fulfil his four year mandate which runs until the beginning of January 1981."

Mr. Jenkins' successor will be nominated by a meeting of the heads of government of the European Economic Community in Venice next week.

On the "Buggins' turn" principle, the job ought to go to a candidate either from Denmark, Ireland or Luxembourg, none of which has provided a president, or from Holland or Italy, whose men did not serve the normal four-year term. Few of the names put forward around Brussels on behalf of the small countries have carried much credibility apart from M. Gaston Thorn, Foreign Minister and ex-Prime Minister of Luxembourg.

But France, Britain and West Germany could well agree on a more glamorous figure who might well prove to be Italian. Sig. Filippo Maria Pandolfi, Italy's Finance Minister, is being strongly tipped from Rome, but after a crowning success as chairman at the British budget negotiations, Sig. Emilio Colombo, the Italian Foreign Minister, is seen as a more attractive candidate if he could tear himself away from almost a lifetime's career in Italian government.

## OECD's trade pledge stresses ties with developing countries

BY ROBERT MAUTHNER IN PARIS

MINISTERS REPRESENTING the West's main industrialised nations were expected yesterday to adopt a new declaration on trade policy, pledging their governments to avoid restrictive trade measures and to promote the economic development of poorer countries.

The declaration was discussed on the first day of the two-day annual ministerial meeting of the 24-nation Organisation for Economic Co-operation and Development (OECD), the first half of which is attended by Foreign Ministers and the second day by Economics Ministers.

The new trade declaration is intended as a guideline for the member countries' trade policies throughout the 1980s. It spells out in greater detail than the old trade pledge member countries' commitments. Unlike its predecessor, it lays particular emphasis on the need to strengthen trade with developing countries and to pursue policies which contribute to their economic prosperity.

In this context, the declaration stresses the crucial importance of export earnings for developing countries and the favourable effect of high growth in those countries on the world

economy.

Other commitments included in it are to maintain and improve the open and multilateral trading system; to strengthen the role of GATT; to implement fully the commitments made in the last round of multilateral trade negotiations; to avoid restrictive trade measures, which could have an adverse effect on inflation, productivity and growth; and to avoid policies leading to a distortion of export competition, particularly in the field of export financing.

Concern with the problems which developing countries are facing as the result of spiralling oil prices and the economic slowdown in the industrialised countries, permeated the speeches of all the ministers present.

Mr. Warren Christopher, the U.S. Deputy Secretary of State, said developing countries must be helped to adjust to higher oil costs. Energy conservation and the development of alternative sources of energy must be intensified and the less developed countries (LDC's) must be assured that, in spite of lower growth in the industrialised world, OECD markets would remain open to them.

## No place for Kohl in a Strauss Cabinet

BY JONATHAN CARR IN BONN



Dr. Helmut Kohl: left out of the team

THE LEADER of the West German Christian Democrat (CDU) opposition party, Dr. Helmut Kohl, will not have a Cabinet post if Herr Franz Josef Strauss becomes Chancellor later this year.

This has emerged in advance of the official announcement of Friday of the opposition team which will help Herr Strauss try to unseat the Government in this October's general election.

It had been widely assumed that Dr. Kohl, as chairman and as candidate for the chancellorship in the 1976 election, would play a major role in a Strauss government.

However, it is understood that

if the CDU and Herr Strauss's Bavarian Christian Social Union (CSU) win the election Dr. Kohl will stay on as leader of the CDU-CSU parliamentary group, not enter the Cabinet.

Whether Herr Strauss does not want Dr. Kohl in the Government or whether Dr. Kohl does not want to be a member of it is not clear. The two are old rivals, although in public they are seeking to present a united front in the battle to defeat Chancellor Helmut Schmidt's coalition.

In a further surprise, Dr. Gerhard Stoltenberg, a vice chairman of the CDU and Prime Minister of Schleswig Holstein, is likely to agree to serve with

Herr Strauss. He would probably be Vice Chancellor in a CDU-CSU Cabinet.

Until now Dr. Stoltenberg has indicated a desire to concentrate on politics in his home state. His readiness to change is widely seen as a boost to Herr Strauss, since it may help win more north German votes for the CDU-CSU. So far Herr Strauss's ability to attract support has been held to diminish the further he travels from his native Bavaria.

Other potential Cabinet members expected to be announced on Friday include Herr Alfred Dregger, see as well to the right of the CDU. Herr Walther Leisler Kiep, on the liberal

wing of the party, and Dr. Friedrich Zimmermann, one of Herr Strauss's most trusted party lieutenants.

They are all members of an inner circle of about eight people who are felt bound to be in a Strauss government. A further team of about 20 will also be announced, some of whose members might also gain a Cabinet post.

They include the Prime Minister of Lower Saxony and Baden-Wuerttemberg, Dr. Ernst Albrecht, and Herr Lothar Spaeth. Their presence is intended to underline to the electorate the breadth of experience on offer.

## Proposed Swiss tax may be illegal, bankers say

BY BRIJ KHANDARIA IN GENEVA

SWISS Government plans to impose a 5 per cent tax on interest paid on fiduciary bank deposits are being opposed by the Swiss bankers' association, which says that such a tax may be illegal.

The Government has not yet announced exactly how the tax would work but appears determined to apply it. Fiduciary deposits are accounts held by Swiss banks on behalf of foreigners living outside Switzerland at the customer's risk and reinvested on his behalf in foreign money and security markets.

The bankers' association describes the proposed tax as

"politically motivated." The association's administrative council has unanimously opposed any new tax on bank customers and, in particular, "the Government's intention to apply a withholding tax on fiduciary deposits."

The principle underlying withholding tax is that the customers should be resident in Switzerland. Its application to fiduciary accounts would be irregular, the association says, because Swiss banks act only as intermediaries. The account owners could not claim reimbursement of the tax because not all countries had double taxation agreements with Switzerland.

## Gibraltar talks run into trouble

BY DAVID TONGE

The opening of the border between Gibraltar and Spain has been delayed. Talks between London and Madrid to end the 11-year-old Spanish blockade of the Rock were to have been completed by Sunday. But the talks have run into problems.

The opening of the frontier was agreed by the British and Spanish Foreign Ministers in Lisbon on April 10 as one part of a trade-off. Britain was to open negotiations on the future of Gibraltar, and Spain was to suspend the restrictions it had imposed on border crossings and maritime links. But this appears only to have stiffened the resolve of the Gibraltarians

to maintain their independence from Spain.

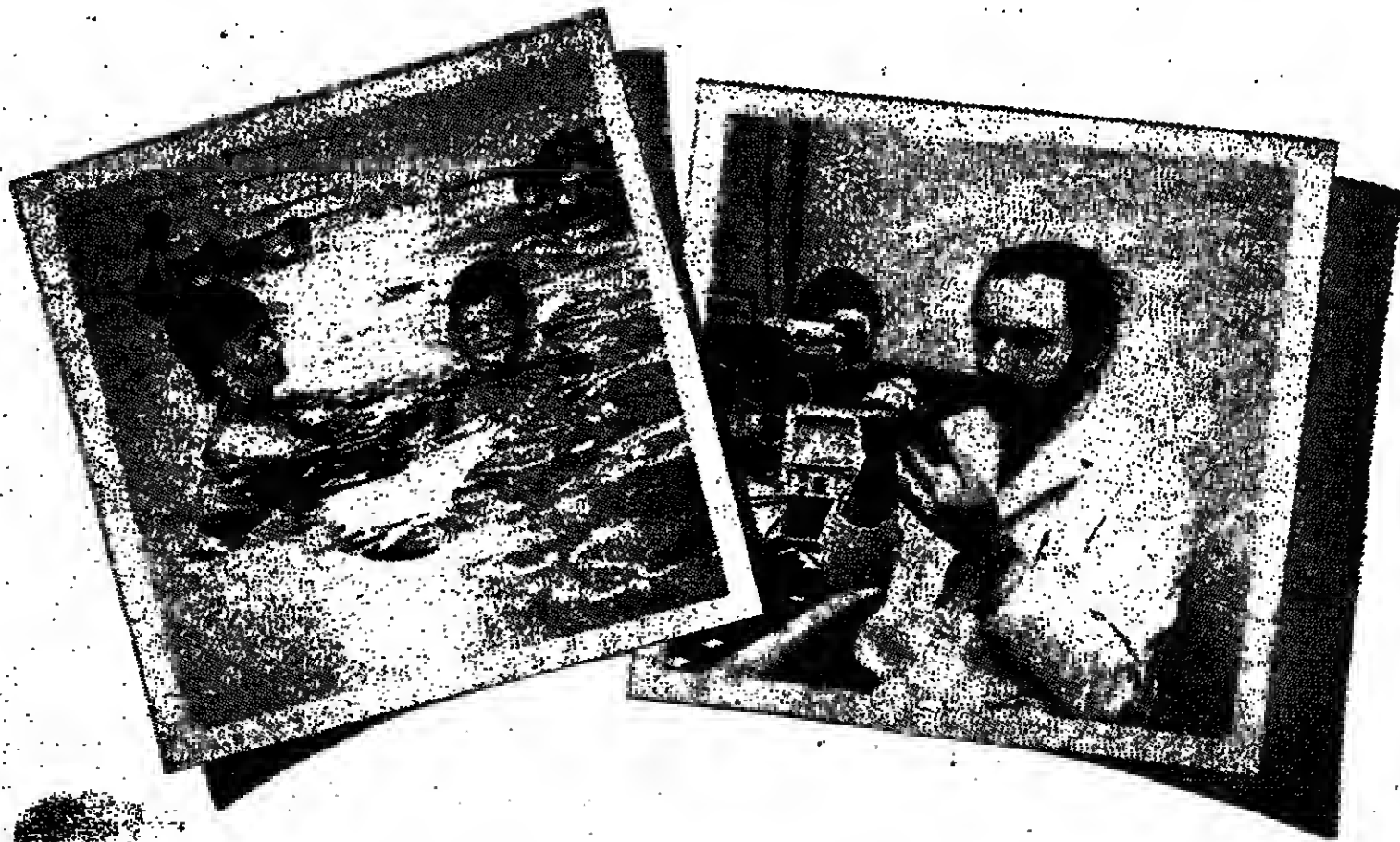
Lord Carrington, the Foreign Secretary, has since made it clear that Britain is committed never to allow the people of Gibraltar to pass under the sovereignty of another state against their wishes.

Despite urging from Britain, the Spanish have yet to complete preparations for opening the border. In part, this reflects the lack of domestic clout of the Spanish Foreign Ministry. But the Government of Sr. Adolfo Suarez has to tread carefully on this emotive national issue at a time when it has had to fight for its parliamentary survival. But the issue must be solved

before Spain can be accepted into the European Economic Community and Britain clearly has some power to enforce a solution on that basis.

A further meeting between Lord Carrington and his Spanish counterpart, Sr. Marcelino Oreja, was tentatively scheduled to follow the completion of preparations to carry out the Lisbon agreement. It now appears to have been postponed. At the same time there is dispute over the meaning of some phrases in the agreement, as well as over various practical problems, not least whether Spaniards must carry passports when they visit a territory ceded to Britain by the Treaty of Utrecht of 1713.

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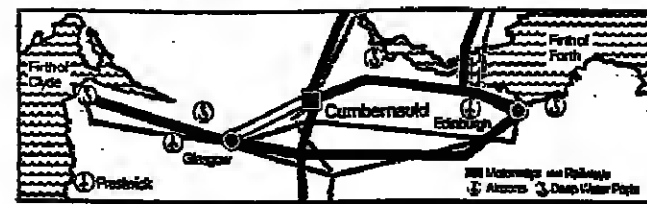
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## OVERSEAS NEWS

# South Africa's whites angered by lax security

BY QUENTIN PEEL IN JOHANNESBURG

SOUTH AFRICA'S Cabinet met yesterday to consider its response to the sabotage of two Sasol synthetic fuel plants and an oil refinery, amid widespread recrimination about lack of security at strategic industrial sites.

With police still searching for leads on the black guerrilla groups which undertook the three attacks, the only government response so far has been to retaliate its warning of retaliation against neighbouring states which assist the guerrillas.

Meanwhile a white university lecturer was yesterday found guilty on five charges of economic espionage. He will be sentenced on Friday.

The sabotage, which destroyed fuel and storage tanks valued at some R5.8m (£3.2m), was greeted by sharply differing reactions. Whereas the general white reaction has been one of shock and anger, many blacks, especially in urban areas, welcomed the attacks, or at least had no strong feelings about them.

The largest circulation black newspaper, Post, was unable to quote reactions to the raids without contravening the Terrorism Act, a senior journalist said. The Act outlaws any public expression of support for actions against the South African economy.

However, Chief Gatsba Ruthven, Minister of the KwaZulu homeland and leader of Inkatha, the largest legal black organisation, called for the creation of black vigilante groups which would shoot to kill to protect buildings.

There was widespread criticism in white newspapers of the apparent lack of security at the oil installations. "Terrorism has now started here on a serious scale," Die Transvaler, the leading National Party newspaper in Johannesburg said. The English-language Citizen, called for a merciless response. "The terrorists... cannot be fought with kid gloves," it said.

In the Pretoria Supreme Court, Dr. Renfrey Christie, a lecturer at the Cape Town University, was found guilty of five charges of economic and strategic espionage. They included attempting to pass on information about the ground plan of the Koeberg nuclear power station and coal-fired power stations to the harnessed African National Congress.

The boycott of schools in African, coloured (mixed race), and Indian townships, continued to spread yesterday and coloured schools in Namibia were affected for the first time. Black and coloured workers in Cape Town yesterday boycotted buses for the second day running in protest at fare increases.

# West Bank blames Israel for bomb attacks

BY DAVID LENNON ON THE ISRAELI-OCCUPIED WEST BANK

THE MAYOR of Nablus, Mr. Bassam Shaka, yesterday accused the Israeli Government and secret service of being responsible for the car-bomb explosions on Monday which seriously wounded Mr. Shaka and the Mayor of Ramallah, another large town on the Israeli-occupied West Bank.

Mr. Shaka, who lost both legs in the explosion, told the Financial Times as he lay in his hospital bed: "The assassination attempts on me and Karim Khalaf of Ramallah are a continuation of the Israeli policy aimed at evacuating our land which recently included the deportation of the Mayors of Hebron and Halhoul and Hebron's religious leader."

Despite doctors' warnings that he was still not out of danger, Mr. Shaka insisted on seeing journalists and said he would continue to plead his case for Palestinian independence. Mr. Shaka said that despite the loss of his legs he would never give up. "My will will be much stronger than before."

Asked about the prospect of the Israeli Government finding the bombers and bringing them to justice, the Mayor quoted an Arab proverb: "A killer will go to the victim's funeral."

Mr. Shaka's family refused to let the West Bank's Military Governor enter his home on Monday to express regret. "My family drove him out with accusations that he was the murderer," Mr. Shaka said.

The determination displayed by Mr. Shaka could be felt all over the West Bank yesterday. A three-day commercial strike was called to protest against the attacks on the mayors, but within a couple of hours yesterday morning all the shops had been forced to open by Israeli troops who broke the locks on some of the stores.

One shopkeeper said that this left him with no option but to resume business. He did not, however, appear to be terribly upset about being forced to deal with customers. The open shops gave a deceptive appearance of normality to the scene.

Life appeared to be continuing normally. But every Palestinian spoken to was seething with anger, fear and defiance. Palestinian resistance to the occupation recently reached a level unprecedented since the 1967 war. In recent months there have been riots, bombings and guerrilla attacks against Israeli soldiers and settlers.

A visibly rattled military government has responded with repression, including expulsion, house demolition and curfews on a scale not witnessed since the early days of the occupation. But Palestinian resistance appears to be more determined and widespread than ever before.

Yesterday the mood of solidarity among Palestinians was palpable. Left-wingers and right-wingers, monarchists and revolutionaries, poor and rich, came in pilgrimage to the bedside of Bassam Shaka and Karim Khalaf, who had a foot blown off when his car exploded.

Men such as Mr. Anwar Nusseibeh, a former Jordanian Defence Minister, and Mr. Hikmet al-Masri, a former Speaker of the Jordanian Parliament, who have in the past been accused by the radical mayors of being lackeys of King Hussein, looked shocked as they came to see their Palestinian brothers, all animosities temporarily forgotten.

Mr. al-Masri said he no longer felt that the Israeli army was protecting the local population. "Now there is a new army, linked to the Minister of Agriculture, Mr. Ariel Sharon, and to the Government. They come in private cars and civilian clothes..."

In addition to the conviction that the attacks were carried out by Israeli extremists, there is a deeply held belief that the Israeli authorities connived at the bombings.

There is no way of telling who was responsible. But the fact that the Israelis are held responsible—whether slightly

or not—will not ease the tension. There is hatred in the eyes of West Bank Palestinians as they watch heavily armed Israeli soldiers patrolling the towns and sitting on the rooftops.

But the anger has other targets. One Palestinian who did not want to be named for fear of Israeli reprisals accused the U.S. and European Governments of having adopted the wrong policy towards the Palestinians, a policy which might drive them into the arms of the Russians. "The West is only interested in the Palestinian issue because of oil. If the oil states lose their power you will abandon us," he said.

Oddly enough it is the conservative mayors in the occupied territories who have begun to resist in protest both at the attacks on their colleagues and what they describe as the iron fist policy of Israel towards the Palestinians. The Mayor of Bethlehem and his city council resigned yesterday, following the lead of the Gaza municipal authority which quit on Monday.

Ultimately it is the split between the radical and conservative Palestinians which affords Israel a faint hope of finding some Palestinians to the limited autonomy plan which it has been discussing with Egypt and the U.S. and which is now seriously bogged down.



# Extravagance threatens Sri Lanka's prosperity

BY DAVID HOUSEGO IN COLOMBO

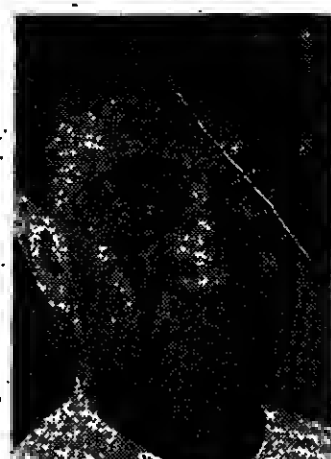
IN THE midsummer heat of Colombo, the main point of conversation, and indeed of newspaper comment, are the daily power cuts which could black out almost the whole island this week if the monsoon is delayed much longer.

Sri Lanka is having its worst drought in 10 years and 85 per cent of the country's power is hydro-electric. The reservoirs and rivers that are fed from the spectacular high land of the tea estates are running dry. The Sri Lankan government has announced that most state sectors will shut down this week to save power. At the new Export Processing Zone outside Colombo, a much publicised project to attract foreign investment, power has been restricted to between 8 am and 4 pm. But the power shortage is as much a sign of the tangible prosperity of the country since Mr. J. R. Jayawardene's United National Party took power in early 1977 as it is of poor planning in the past. Demand for power has shot

up in part to supply a market for electrical appliances and air conditioners that has grown fast because remittances from workers in the Middle East and increased earnings locally have pushed up family incomes. Booming construction, trade and tourism are driving up rents and hotel rates in Colombo and the coastal resorts.

All this follows seven years of virtual stagnation under Mrs. Bandaranaike's left-wing government when growth was strangled by the double burden of a welfare state well beyond what Sri Lanka could afford and wholesale nationalisation.

The turnaround is the more striking in that the Government has pursued an almost textbook strategy for the International Monetary Fund. A hefty devaluation was followed by the liberalisation of imports and foreign exchange controls and the cutting back of welfare subsidies. Such policies have been resisted by many developing countries. Performance is



Mr. Jayawardene: a textbook strategy

being monitored under a three-year borrowing from the IMF's Extended Fund Facility which carries the toughest of IMF conditions.

Mr. Ronnie de Mel, the Finance Minister, says that relations with the fund have been

"tough going from time to time." But the advantages are clear. In the last two years, Gross National Product has grown an average of 7 per cent while welfare payments have fallen as a proportion of GNP from 9 to 5 per cent, releasing resources to expand public investment.

The IMF package has also provided access to concessional aid and grants of \$330m and to commercial lending at favourable terms, a sharp increase in both foreign and domestic private investment and the welcome creation of well over 200,000 jobs in a workforce in which 15 per cent are still unemployed.

Sri Lanka has suffered many of the painful difficulties of an IMF readjustment programme, exacerbated lately by unexpectedly poor trading conditions. The faster growth in trade and services has produced a new urban elite and income disparities have been widened further with a cutback in subsidies and the freeing of prices. Inflation has climbed to an annual rate of 30 per

cent, and threatens to accelerate unless the government reins in its extravagant public works programme, as the IMF insists it should. The trade deficit tripled last year to \$487m, as the faster growing economy sucked in imports while higher oil and falling tea prices worsened trade terms by 28 per cent.

The chances of maintaining growth are now threatened by the government's determination to push ahead with large-scale public projects that go far beyond the country's means.

The most showy of these is a scheme to create a new administrative capital at Kotte, outside Colombo, and transform the centre of Colombo with high-rise residential and commercial buildings to emulate Singapore. The plans have already been heavily pruned, but a new parliament building, two secretariats and staff residences seem likely to go up at Kotte and outlay on the two projects should be close to \$730m, or not

far short of the government's revenue for 1979. It is hoped some \$200m will be financed through debentures.

A further \$1.1bn is to be spent over the next three years on a hydro-electric and irrigation project on the Mahaveli River. The project which is the backbone of the government's five-year plan, on top of the heavy costs of establishing the free trade zone and the urban redevelopment plan can only be financed by a continuing heavy dependence on foreign capital and by squeezing the private sector. The government's problems in financing the budget deficit have already pushed lending rates to 25 per cent.

Beyond 1984, the Government cannot count on the quantity of foreign aid that has been flowing in to develop the Mahaveli scheme. It would be a sad end to a brave experiment if the opportunities that Mr. Jayawardene's Government have opened out were now sacrificed in the pursuit of extravagant prestige projects.

# Appeal to New Hebrides

BY OUR FOREIGN STAFF

BRITAIN AND France will decide jointly on what further action to take over the insurrection in the Pacific islands of the New Hebrides if there are no signs of reconciliation, Mr. Peter Blaker, the Minister of State at the Foreign Office, told the House of Commons yesterday. In a statement following his meeting in Paris on Monday night with his French opposite number M. Paul Dijoud, Mr.

Blaker said the two countries had appealed to the New Hebrides Governments and rebels on the island of Espiritu Santo to reconcile their differences.

Rebels on Espiritu Santo have set up their own government with the local plantation owner Jimmy Stevens as Chief Minister, a radio broadcast from the island said yesterday. Parliament, Page 12

# Ohira illness encourages rivals

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

SPECULATION about leadership changes in Japan's ruling Liberal Democratic Party has surfaced as a result of the illness of the Prime Minister, Mr. Masayoshi Ohira.

Mr. Ohira was admitted to hospital at the weekend after complaining of exhaustion. He is suffering from a mild heart ailment and is expected to remain in hospital for at least a week.

A quick recovery is expected but there are doubts about Mr. Ohira's ability to play more than a nominal role in the campaign for Japan's double election to the Upper and Lower Houses of the Diet which got under way on Saturday. Even more concern is felt

about the possibility that Mr. Ohira might have to miss the Venice summit of major industrial countries on June 22 and 23.

If Mr. Ohira's doctors advise him not to go to Venice, Japan will probably not be represented at the Summit since there appears to be no precedent for a head of government to be represented by a stand-in. Mr. Ohira's rivals for leadership of the Liberal Democratic Party appear to be taking the line that attendance at the summit will constitute a test of his fitness to remain in office.

Mr. Ohira was 70 earlier this year and has been president of his party and Prime Minister since late 1978, when he de-

feated the then party leader, Mr. Takeo Fukuda. His leadership has been challenged on several occasions in the past year.

Last month anti-industrial factions in the party boycotted a Lower House vote on a motion of confidence against the Government, thus allowing the motion to succeed by default. Mr. Ohira dissolved the Diet and called a general election. Polling day is June 22.

Mr. Fukuda and Mr. Yasuhiro Nakasone, both hinted yesterday that they would be ready to step into Ohira's shoes if health obliged him to step down. But neither man is regarded as a likely candidate for the premiership.

# Warning on bank recycling role

BY KATHRYN DAVIES IN SINGAPORE

INTERNATIONAL banks cannot be expected to play a major role in recycling OPEC surpluses in the 1980's as they did following the oil crisis in 1973 and 1974, both because of changes in the industry itself and because of deterioration in the economic strength of some of the deficit countries.

Giving this warning on the second day of the Financial Times World Banking Conference in Singapore, Mr. James Greene, president of the American Express International Banking Corporation, said that U.S. banks were already cutting back their lending to developing countries. At the end of 1975 U.S. banks accounted for 38 per cent of all international lending whereas this was now down to 28 per cent.

The problem of large OPEC surpluses and the corresponding international payments imbalances were also noted by Mr. Richard Eu Keng Mun, vice chairman of Singapore's United Overseas Bank. However, Mr. Eu took a less pessimistic view than some of his colleagues, saying he believed that oil exporters may choose to invest a greater proportion of their savings directly in the domestic financial markets of the major Western centres, even if they deploy a smaller proportion through Western banks.

But because of the freezing of Iranian assets by the U.S., the 1980's might see some discreet redistribution of OPEC to other financial centres such as the Asia-Pacific countries.

The creation of a payments mechanism for settlements within the Pacific region was examined by Mr. Tasuku Takagaki, director of the Bank of Tokyo. He said that a payments system based on a single currency such as the yen was unrealistic. Inevitably, however, the yen would increasingly be used as a medium for external

settlements and reserves, and Japan would have to devise measures to ensure the smooth functioning of the yen as an international currency.

"The East Asian region promises to be the most dynamic area of economic growth anywhere in the world during the 1980's, with the trend towards greater intra-regional economic ties rather than exchanges with the rest of the world," said Mr. A. D. Mosley, executive director of the Hongkong and Shanghai Banking Corporation.

Focusing on the role of China in this expected growth, Mr. Mosley pointed out that bankers in most large countries were keeping their eyes open for signs of a more forward policy in China towards loans for development and trade. "But the fact remains that Peking has so far drawn down only a minute proportion of the credit which could easily be made available to it in Western Europe and the United States."

Australia's interest in the Pacific region was highlighted by Mr. Stuart A. Fowler, general manager of the International Business Bank of New South Wales. Mr. Fowler said that Australia's economic future and security was much more intimately tied up with the countries of the Pacific region than it was 25 years ago.

The area was uniquely poised to prosper in the coming decade given its new-found sense of economic purpose. The part the international banking community could play in Third World economies was examined by Mr. Elias F. Opie, the Philippines Minister of Labour. Mr. Opie said the magnitude of the assistance of various world banking institutions may not be expected to turn the tide in most develop-

ing countries, but the fact that the Asian Development Bank had cumulatively lent some \$6,650m to its developing member countries since 1967, and that the World Bank had supported projects which have created many jobs, suggested that more developed countries may have outgrown "tokenism" as an approach to international relations.

In stark contrast to the gloomy prospects for developing nations as a whole, most industrialising Asian countries—in particular Korea, Taiwan, Singapore and Hong Kong—seem to have little difficulty in balance-of-payments financing, said Dr. Kim Duk Choong, president of the Daewoo Industrial Company of Seoul. The debt service ratios of these countries were relatively low compared to those of other developing countries, he said. In addition, thanks to their remarkable economic growth in recent decades, industrialised Asian countries now enjoyed broad access to the international capital market and had a first class credit rating in the world financial community.

Dr. Kim called for greater co-operation between these countries and developed, industrialised countries.

One instance of the specific requirements of Asian countries when it comes to dealing with foreign bankers was given by Mr. Kerry St. Johnstone of the Private Investment Company of Asia (PICA). Mr. St. Johnstone pointed out that while the quality of security and collateral were vitally important to an international bank, in Asia the cultural and business attitudes of individuals and countries were almost as relevant.

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## AMERICAN NEWS

# Carter nearing oil showdown with Congress

BY DAVID SUCHAN IN WASHINGTON

PRESIDENT JIMMY CARTER is rapidly approaching a showdown with the U.S. Congress over his plan for a \$4.62 a barrel energy conservation fee on imported oil. This week should see who will prevail.

The result will thus be known well before the June 23-24 summit meeting in Venice, where the U.S. and the six other major Western industrial countries will be promising new efforts to reduce oil imports.

Opposition to the import fee, announced as part of the March 14 counter-inflation package, has swelled in Congress. The arguments are that it would put prices up again, and would diminish oil import volume only marginally. The Administration estimates it would cut imports by 100,000 barrels a day (b/d) immediately and 250,000 b/d within a year. But this is tiny compared with the drop in imports already taking place because of the U.S. economic recession.

The Government is also appealing against a lower court ruling which acknowledged Mr. Carter's authority to levy an import fee, but not to pass it on exclusively in the form of a 10 cent a gallon petrol tax

increase, as the Administration plans. This "loading" of the fee on petrol-users has also annoyed many in Congress, who believe that it usurps the legislature's power of taxation.

The multi-layered dispute over the 1980-81 Federal budget has also spilled over on to the oil fee issue. Senator Robert Byrd, the Democrat leader in the Senate, has said that it will be defeated by the budget dispute.

A vote on the oil fee is expected as early as today. If it is defeated, White House officials say Mr. Carter will veto the action at once, and Congress will have the chance to override the President—it would need a two-thirds majority in each house—by tomorrow.

The reason for the speed has nothing to do with the timing of the Venice summit or high policy—but that the Senate at least intends to tack the oil fee issue on to an emergency motion to extend the federal debt ceiling.

Debt ceiling extensions or increases are one of those



Senator Byrd... will may spill over

essential housekeeping bills which a Congress likes to use to deter the presidential veto. But Mr. Carter has made it clear he will veto any attempt to block his oil import fee, even if that plunges Government financing into temporary chaos.

However, the "honeymoon" period of last March, when the President and Capitol Hill leaders put on a great show of unity in the anti-inflation battle, now seems to have ended in some recrimination and with possibly serious consequences.

Only revenue from the oil import fee can probably save the 1980-81 budget being pushed into deficit by the impact of recession. The other threat to a balanced budget next year—symbol to the world of U.S. determination in bringing its inflation rate down—comes from the row over that budget's composition.

## William Chislett reports from Mexico City on plans to revive a neglected sector

# Transport squeeze stunts Mexico's growth

ON A crowded road in Mexico, an empty lorry returning to the port of Veracruz from Mexico City was commandeered recently by Conasupo, the Government's food agency, to carry cereals back to the capital. The protesting driver was paid for his services.

Mexican food imports this year will be 7m tonnes compared with 3.7m tonnes last year. Veracruz is the only port in Mexico with adequate food storage but Conasupo, responsible for getting food to the poor and needy at subsidised prices, has not got the transport to move the greatly increased load.

As a result fruit and vegetables rot in the fields or on the quays.

With Pemex, the State oil monopoly, the situation is equally bad though it shares transport priority with Conasupo. Recently a businessman had to deliver a large boiler to Pemex at its oil export terminal at Coatzacoalcas on the Gulf of Mexico. Finding no lorries, he was obliged to cajole a haulage company exclusively contracted to Conasupo to unload the food from one of its lorries and take the boiler. Pemex footed the exorbitant cost.

Like a child that has outgrown its clothes, Mexico's economy is chafing within a transport system, which, if not expanded, could stunt growth for a long

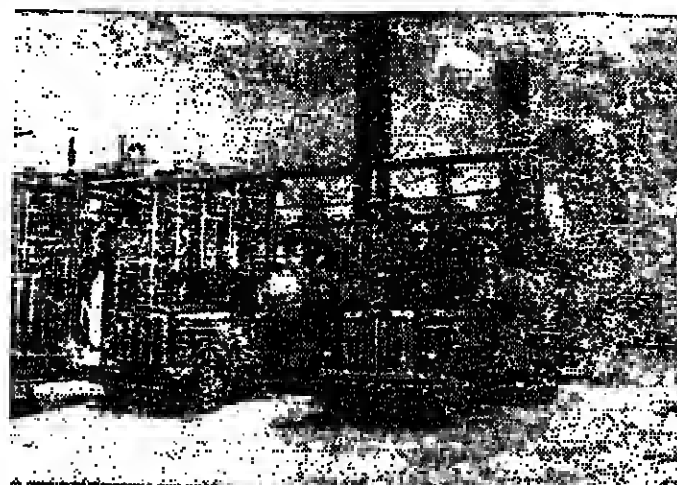
time. For the second year running, the Mexican economy is projected to grow by 8 per cent in real terms this year, but the overburdened railways, clogged ports, crowded airlines and overloaded lorries cannot cope. In 1978, transport accounted for only 2.5 per cent of gross domestic product.

The government has given high priority to beating what newspapers call the "transport crisis" and has allocated \$18bn or 20 per cent of its "global plan" expenditure over the next three years to transport.

Last year, the border between Mexico and Texas became so clogged with railway freight that every siding from Laredo to Oklahoma, a distance of 550 miles, was at one point backed up with Mexico-bound freight.

Part of the problem was bureaucratic. Paperwork for freight to cross into Mexico is monstrous and is generally left until the shipment arrives at the border, where there can be long delays. To clear the sidings, the Missouri Pacific Company, which operates the line, had to insist that all senders of cargo had all their papers in order before they started.

Most of the railway's 12,500 miles of track is old, gradients are generally steep, engines are unreliable and the rolling stock is not computerised, so that often wagons cannot be traced.



Lorries loading liquefied sulphur at the Cactus petrochemical complex in southern Mexico

A quarter of the railway's work force has passed the age of retirement—some engine drivers are in their 60s. But Ferrocarriles Nacionales, the State railways company, is already paying a pensions bill of \$1bn and must keep them on.

The high average age has helped make the company bureaucratic, inefficient and unimaginative. But it says its labour problem will be eased this year when its pension scheme is taken over by the government and the older men

can be retired and younger employees brought in.

The state rail construction company recently signed a 10-year contract, valued at \$480m, with General Electric in Pennsylvania to deliver up to 100 diesel-electric locomotives a year. The contract gives Mexico the option to produce some of the sub-assemblies itself.

The Mexican Construction Company also plans to produce 3,500 railway freight wagons this year. Last year the number of wagons in use rose by 188.

None of the track is so far electrified. The government's aim is to build only 375 miles of new track between now and the end of the century and to concentrate more on electrifying the busiest routes.

The first stretch chosen is 200 miles of track north of Mexico City to Irapuato, a project worth over \$250m. Britain's GEC is competing for the contract with French and Japanese companies.

Yet railways still move only about a quarter of Mexico's freight, and road haulage companies cannot manage the overspill. They are privately owned but operate on Government-fixed routes, which cannot be shifted quickly to areas that have special needs.

It is an open secret that many routes are controlled by powerful politicians and that competition against their monopolies is not tolerated. Sr. Ruben Figueroa, the Governor of the State of Guerrero, runs Mexico's largest haulage company and his son, a deputy for the ruling Institutional Revolutionary Party, is transport manager for Sidemex, the Government's holding company for the state steel sector.

Mexico's oil-fuelled economic boom could transform the country into an industrialised nation, but the bottlenecks in the transport system must first be cleared.

## Wall Street keeping close eye on oil fee

BY DAVID LASCELLES IN NEW YORK

WALL STREET is watching the fate of the oil import fee closely, not so much for its practical effect on oil consumption (which will be small), but as a signal of the U.S. determination to do something about its energy problems.

The fee was part of Mr. Carter's March anti-inflation programme. By adding \$4.62 to the cost of a barrel of imported oil, it was designed to raise the price of petrol by 10 cents a gallon, or some 8 per cent.

In fact, its impact on the motoring public would be small. Government economists estimate it would save about 100,000 barrels a day in the first year, or less than 1 per cent of total consumption, and even this projection is thought to be optimistic.

But the fee has a symbolic importance, particularly in the foreign exchange markets where the high rate of U.S. oil imports is a major influence on the dollar. Europeans, whose per capita oil consumption is considerably lower than that of the U.S., have strongly favoured

the fee idea. If the fee is now rejected, it would be bad news for the dollar, which is already under pressure because of sharply declining U.S. interest rates.

Domestically, failure to pass the fee would mean Congress had missed a rare opportunity to capitalise on public awareness of the acuteness of the energy problem, and the need for painful measures.

However, there is also a strong feeling in business and financial quarters that the U.S. should be going not just for a 10 cents a gallon fee, but 50 cents. Politically implausible though this may be, influential Wall Street figures argue that nothing short of this will convince the foreign market that the U.S. is serious about wanting to cut consumption.

Petrol, which accounts for about half the oil consumed in the U.S., now sells for about \$1.30 a U.S. gallon (about 70p an Imperial gallon). The feeling is that the price will have to reach \$2 a gallon (about £1.10) before it makes any serious dent on demand.

## Canadian visible trade moves into deficit

BY ROBERT GIBBENS IN MONTREAL

CANADA'S VISIBLE trade moved into deficit in April for the first time since August, 1977. Exports to the U.S., Canada's major market, declined steeply, mainly because of the slump in the U.S. car market. Some North American car models and engines are assembled in Canada for the whole continental market.

April showed a merchandise trade deficit of \$57m (£2.6m) against surpluses of C\$649m in March, C\$782m in February, C\$814m in January, C\$578m last December and C\$705m last November. The merchandise surpluses helped to offset Canada's traditional deficit on services, including dividends and interest payments abroad.

April exports dipped by 3.1 per cent to an adjusted \$6.16bn from March, while imports rose by 8 per cent to \$6.17bn.

## Call for 'banking safety net'

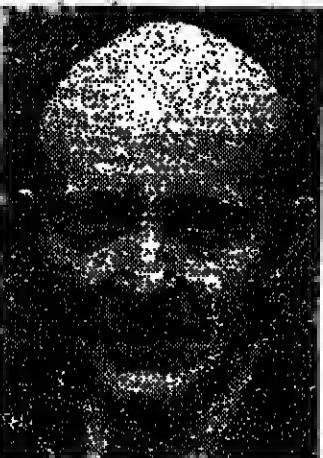
By Stewart Fleming in New Orleans

LEADING international bankers are expressing concern about the increasing risks associated with their rapidly expanding international lending and the steady erosion of the profitability of much of this business.

Mr. Wilfried Guth, managing director of West Germany's leading commercial bank, Deutsche Bank, has recommended that consideration be given to creating a "jointly organised private international safety net," to which individual banks in financial difficulties could resort. He stressed, however, that any such arrangement should be informal, initially consisting of discussions among perhaps the largest 20 or so international banks.

In a fortnight address to the 200 bankers attending the annual International Monetary Conference here in New Orleans, Mr. Guth suggested leading international banks should give some thought to establishing in advance some "guiding principles" for handling such an international financial crisis, since "there will be no time for debating the open questions in a market crisis."

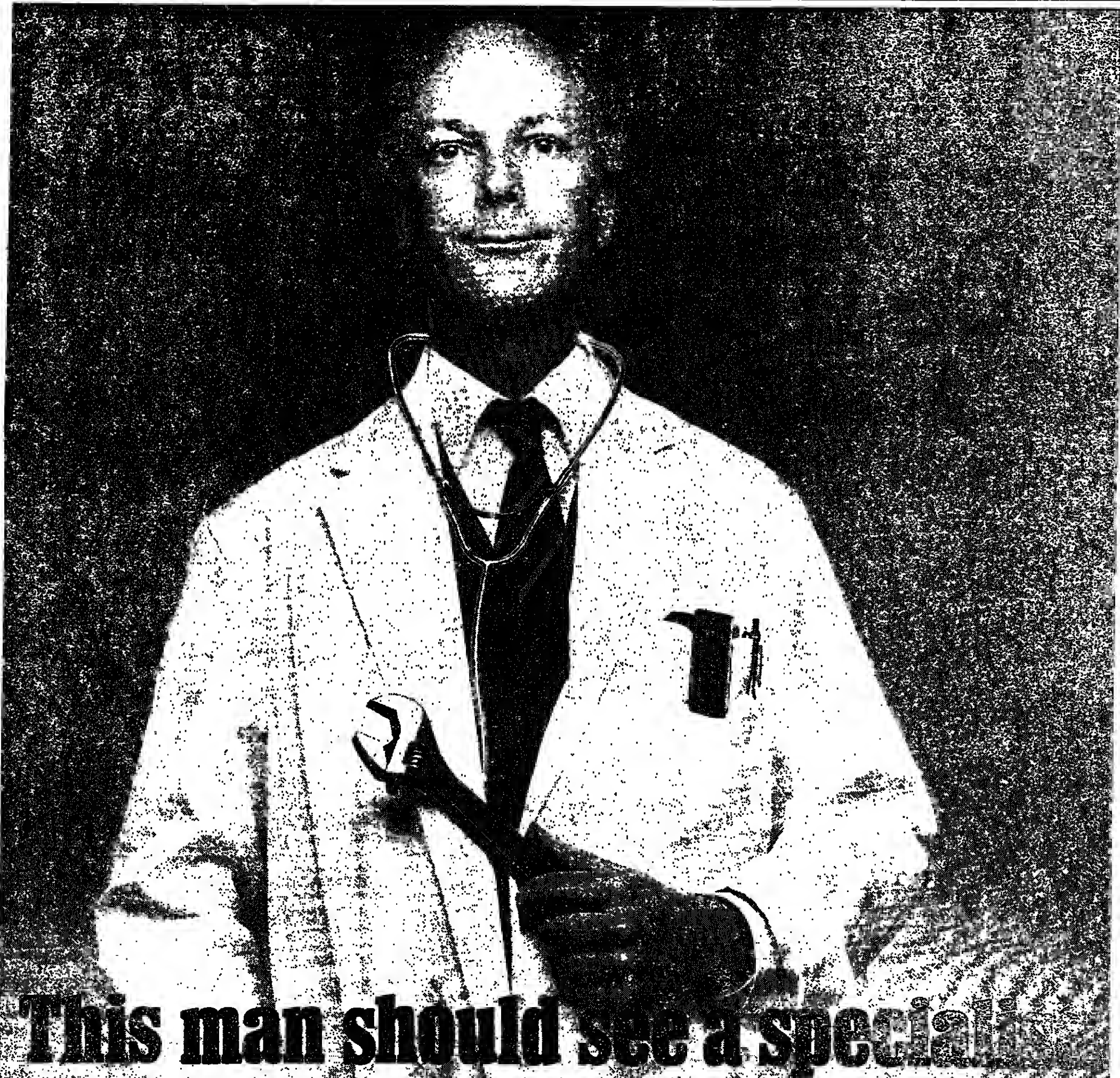
Some issues facing international bankers were outlined here by Mr. Guth and other senior executives. Mr. David



Dr. Guth... no time for questions in a crisis

Rockefeller, chairman of the Chase Manhattan Bank, for example, pointed out that since the end of 1973 international bank loans have risen from \$320bn to \$1,070bn at the end of 1979, which has transformed international banking. Many major banks now have more international than domestic loans on their books.

It is not just the increasing volume of lending which is causing concern, however, but the increased risks. Several elements are cited as contributing to these risks: sudden shifts in government policies which banks cannot influence—the recent roller-coaster ride of dollar interest rates for example; another is the growing portion of bank lending to developing countries and the emphasis on balance-of-payments financing. Mr. Guth predicted that, by 1985, 65 per cent of funds raised in the Eurocredit market would be to finance maturing debt, describing this as "not a very gratifying prospect."



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## WORLD TRADE NEWS

## Iran steps up Caspian port traffic

By Andrew Whitley in Baku, Enzeli

THE PORT of Bandar Enzeli, the larger of Iran's two commercial ports on its northern Caspian Sea coast, is currently working near its maximum capacity of 350,000 tonnes a year.

Yesterday seven Soviet vessels were being unloaded along the single quayside, one more than on the previous day, and there was not a spare berth in sight. The ships were the standard, medium-sized vessels which ply the route from the Soviet railhead at Baku.

The goods visible on the dockside were giant rolls of paper, in short supply in Iran, and sacks of animal feedstuff.

David Salter adds from Moscow: Iran is to extend its Caspian Sea ports to accommodate growing numbers of Soviet ships in a further bid to defeat the U.S.-led economic boycott, the Soviet news agency Tass reported yesterday.

In a dispatch from Tehran, Tass said that the decision to expand port facilities was taken at the Soviet-Iranian conference on shipping and ports which has just ended.

Margaret Hughes examines moves to bring export credits into line with market realities

## The increasing burden of interest rate subsidy

THE MUCH publicised suspension of new government backed export credits to Iran and the withdrawal of the extremely favourable credit terms available to the Soviet Union has highlighted the crucial role of export credits in international trade.

A side effect of this has been to emphasise the artificially soft credit terms on which foreign buyers are able to buy capital goods and equipment from the major exporting countries. It was therefore not surprising that the U.S. along with countries with low domestic interest rates managed at last month's OECD meeting to review the international export credit consensus to persuade other exporting countries to agree to a modest increase in rates.

From July 1 the minimum interest rate for fixed rate export credits extended for over five years to rich and intermediate buyer countries will rise by 0.75 per cent to 8.75 and 8.5 per cent respectively. For poor countries there will be a smaller rise of 0.25 per cent to 7.75 per cent. The same uniform rises will be applied to credits of two to five years bringing the rate for rich countries up to 8.5 per cent, for intermediate countries to 8 per cent and for poor countries to 7.5 per cent.

These increases are in line with the proposals submitted by

the EEC. But although an agreement on any increase at all is a major achievement given the wide differences on the issue, the results fall far short of U.S. demands. The U.S. backed by countries with low domestic interest rates, was seeking at the very minimum across the board increases of 2 per cent. But more importantly it wants a major reform of the whole system so that export credit rates reflect the true cost of finance and thus eliminate the need for interest rate subsidy.

The most that was achieved on this score was an agreement to attempt to reach an accord on a reform of the system. The U.S. is hopeful that such a consensus will be reached by early December with implementation of the first phase likely to be introduced early next year.

When they were first drawn up in 1976 consensus rates were even more generous to the buyer compared with market rates. And while export credit rates have been held at these same levels domestic rates have risen sharply so that there are now wide divergencies between the two.

Export credits now bear little relation to the true cost of financing and maintaining these rates has become a considerable and increasing drain on Governments who subsidise these rates either directly or by making up to the banks which provide

the finance the difference between the fixed export credit rate and market rates. It has been estimated that this interest rate subsidy is likely to cost OECD countries as much as \$3bn in the current year having already absorbed some \$2bn over the past two years.

Low inflation countries have attacked these subsidies because they allow those with high

Government officials, are now supporting U.S. pressure to do away with the interest rate subsidy altogether.

However, officials in Government departments more directly involved in exporting are extremely alarmed by such proposals. Given the depressed level of world trade and the already high unemployment in Britain they argue that this is

President Carter is to raise the whole issue of official export credits at this month's Venice summit, Dr. Harald Malmgren, a former U.S. chief trade negotiator warned yesterday in a lecture to the Trade Policy Research Centre in London. The present OECD arrangement, he said, contained holes like Swiss cheese. The coverage was limited and the scope for mixed credits wide. Having failed to tighten the rules the U.S. had now embarked on a selective "meat and beat" policy, aimed particularly at the French.

Interest rates to compete unfairly.

In the case of the UK—where interest rates have been subsidised since 1972 when they had fallen well behind market rates—this interest rate subsidy has risen from £116m in 1977-78 to £350m in the latest financial year. If the current level of domestic rates is maintained, which seems likely given the Government's recent statements

rolling out any early cut, the subsidy will be nearer £500m this year, which would eliminate the savings gained through the recent ending of refinancing.

And such is the present level of the subsidy that the Treasury, along with some other

not the time to undermine Britain's competitive position any further.

British exporters are already suffering from the unusual handicap of a strong currency coupled with high interest rates. These officials like the French and Italians are therefore totally opposed to any increase in export credit rates.

But while countries with high interest rates are worried about any increase in export credit rates there is a growing international mood for a more substantial reform of the export credits guidelines. After sharp differences re-emerged at the OECD review meeting at the beginning of last year a study group was set up chaired by Mr.

Axel Wallen, head of the Swedish export credit organisation, to investigate what changes could be made to reduce subsidies and make competition fairer. The study group reported back earlier this year with the following three proposals aimed at making the guidelines more market oriented.

1—A system similar to the present one with the same minimum rate for all currencies. This would be the weighted average of the market rates of a number of currencies which would be adjusted every six months in line with market rates. This would be the most attractive proposal to high interest rate countries but the least attractive to those with low interest rates. It would also have the least impact on reducing the subsidies.

2—A system of separate minimum rates for each currency, which would be related to the different market rates for medium, long-term government bonds in each currency, and would be adjusted half-yearly in line with market rates. This would virtually eliminate interest rate subsidies and is therefore the most popular with the U.S. and low interest rate countries.

Predictably it is the least popular with high interest rate countries. It has been calculated, for instance, that this would give the UK an export

credit rate of around 14½ per cent for exports sold to rich countries compared with a rate of around 10½ per cent under the first alternative. This would obviously put the UK rate well above the average rate for other currencies with a consequent loss in UK competitiveness. It has been estimated that were this differential between the UK and the average rate of the order of 2 per cent it would result in a 16 per cent fall in British exports. Were the

3—The third alternative is a variation of the second whereby a ceiling rate would be fixed for currencies with higher than average interest rates above which governments would still be able to subsidise rates. For high interest rate countries this would be the more attractive version of the differentiated system.

This alternative is a compromise solution and may well form the basis of future discussions once—if ever—the principle of differentiated rates has been accepted by the main participants. The UK Treasury is known to have come up with its own variant, which would result in a uniform rate for all currencies with rates equal to or above average while currencies with rates below average would vary according to their market rates. This variation would give the UK a similar export credit rate as under the first uniform rate system—10½ per cent.

## Shipbuilders see gradual recovery by mid 1980s

By Roger Boyes in Bonn

LEADING JAPANESE, American and West German shipbuilders—arch rivals on the world market—agreed yesterday that they should be able to master the international shipping crisis by the mid-1980s.

Recovery, speakers stressed at the German shipbuilders' annual meeting in Hamburg, will be gradual not dramatic. It will hinge on the replacement needs of ageing Western fleets, on the demand from Third World countries for shipbuilding facilities and, in the case of the U.S., on the development of naval shipbuilding.

Mr. Edwin Hood, president of the Shipbuilders' Council of America, stressed that in the long term the shipbuilding industry in naval shipbuilding to meet the objective of a 550-ship U.S. naval fleet by the mid-1990s.

"I see a gradual, not a sharp, increase in merchant ship construction starting in three or four years to accommodate incremental increase in world trade and a rise in the volume of cargoes carried by U.S. flag shipping which is essential to U.S. national interests." He also believed that there were strong prospects for ocean mining ships, ocean thermal energy conversion plant ships and coastguard cutters.

All three nations stressed the importance of high value specialist ships which will be the key product line for both the U.S. and Germany until 1983-84. However, Japan, which last year captured a 50 per cent world market in new vessel construction, is also relatively confident that it has a good chance in conventional shipbuilding "as long as ships are needed as a means of large volume seaborne transport."

Mr. Shozo Doi, chairman of Japanese Shipbuilders Policy Committee, stressed the importance of rationalisation in Japanese yards—there has been a cut of some 40 per cent in building capacity since 1973. This tacitly rejected the view—voiced persistently by other speakers during the conference—that Japan had increased its market share largely because of the weakness of the yen against the dollar and other trading currencies. German shipbuilders have been particularly bitter about this form of price competitiveness which they frequently compare with a type of dumping.

## Soviet grain needs boost cargo trade

By Gareth Griffiths

SOVIET GRAIN shipments are expected to play a key role in the buoyancy of the shipping dry cargo market, which should remain strong during the summer.

Matheson Chartering in its market report for May argues that Russian grain chartering's impact on the markets has been immeasurably increased by the U.S. grain embargo, which has forced the Soviets to go much further afield for their supplies.

The market is still dominated by grains, although coal is providing strong support. Japanese buyers in particular have increased their imports of U.S. coal.

In contrast to coal, oil trades remain depressed with the number of tankers laid up at the end of May at 98 compared to 89 in April.

## Developing nations fear tougher textile controls

BY BRI KHINDARIA IN GENEVA

DISMAYED BY the growing possibility that any renewed Multifibre Arrangement (MFA) might place greater controls on their textile and clothing exports, developing countries are increasingly saying they will allow the MFA to collapse rather than be an unsatisfactory one.

Negotiations to renew the MFA, which governs the world's textile trade, will begin in Geneva towards the end of the year and announcements by textile industry associations in the U.S. and EEC have created apprehension here about the political determination of Western governments to work for textile trade liberalisation rather than protection.

Diplomats are closely watching the U.S. Administration's reaction to the American Textile Manufacturers' Institute's demand that the MFA should be made considerably more

restrictive to protect U.S. industry.

In the past, developing countries have seen the U.S. ally in their battles with the EEC, which insisted on obtaining a clause in the 1977 accord allowing for "reasonable departures" from the MFA's requirement that Third World exports be allowed to grow at an annual rate of at least six per cent.

The "reasonable departures" were permitted by Third World negotiators on the understanding that they would be kept to short periods to meet situations of acute distress to domestic industries.

Third World diplomats now note that the U.S. Government might be moving closer to the Community's position, indicating that the "reasonable departures" might become a permanent feature.

## Buy British plea from clothiers

By Rhys David

THE CLOTHING Manufacturers' Federation has written to a number of large UK local authorities urging them to give preference to British-made products in the purchase of apparel.

The letter, signed by Mr. Gerald French, the federation's director, said it cannot be unreasonable for money, raised from the British public, to be spent in this way rather than on imported merchandise, often produced under conditions which would not be tolerated in the UK.

Mr. French argues that employment in clothing has declined from more than 550,000 in 1951 to about 300,000, and that this figure is rapidly declining as a result of the pressure of cheap imports. In 1970, he says, imports of all types of men's outerwear were only £23.6m. By last year the total had reached £119m. The federation's letter is another shot in the campaign by the textile and clothing industry against imports, which have been continuing to rise this year.

## Cardin in Israel fashion deal

By L. Daniel in Tel Aviv

DESPITE difficult world market conditions, Israeli fashion exports continue to do extremely well—a fact appreciated by overseas designers.

Pierre Cardin has just re-entered the Israeli fashion scene by licensing Delta Textiles, manufacturers of shirts and underwear, to sell Cardin knitwear designs in Israel and the UK. The four-year-old company expects to reach an export volume of \$20m (£8.5m) this year.

Pierre Cardin in the past designed men's suits for the Bagir division of Israel's largest textile combine, Polgat, but that agreement was not renewed two years ago, reportedly because of disagreement over the rate of royalties.

A trade mission representing 24 UK industrial companies interested in selling to Israel, is due here for a week's visit on June 15. This will be the second such group to come to Israel this year. The mission's emphasis will be on technology-based industries, in line with the requirements of the Israeli market.

## "Coal, gas, nuclear..."

...or a shattering bill for increasingly scarce imported oil when present North Sea oilfields run down. Britain's self-sufficiency from the fields discovered so far cannot last much beyond 1990. If new fields aren't found—and developed—by then, dependence on costly imports is a certainty.

What about substitute fuels? They will, help, of course, but only up to a point. Coal, for instance, is plentiful in Britain and will increasingly replace oil in power generation. That's fine, but you can't run cars on nutty slack. And large-scale conversion of coal into liquid fuels is still at least a decade away.

Gas production in the UK would be increased by the gas-gathering network recommended to the Government by a British Gas/Mobil study group. But though gas, like coal, could be converted into liquid fuels, any increased UK gas supplies would probably be taken up for heating and petrochemicals.

Nuclear expansion could be used to help curb Britain's oil dependence—provided popular disquiet

over safety can be resolved. But that won't happen overnight. And long construction times mean that nuclear expansion won't have much impact before the mid-1990s.

Clearly, conventional substitutes can be only part of the solution. Which brings us back to the North Sea. There could well be enough undiscovered oil out there to maintain Britain's self-sufficiency beyond the 1990s. The Government's May announcement that it plans to release 90 more areas for exploration was therefore welcome news. What's needed next is regular release of attractive exploration rights, and approval to develop promising discoveries.

If the UK is to extend its energy self-sufficiency, there's really no alternative.



## Government starts probe of CEEB

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A WIDE-RANGING investigation into the operating efficiency of the Central Electricity Generating Board (CEGB) was announced last night by the Department of Trade.

The investigation, under the Government's new Competition Act, was foreshadowed last month when a new electricity price rise was announced.

The investigation will be carried out by the Monopolies and Mergers Commission and will take six months to complete, although the Commission can ask for a three month extension. The probe represents the third Government backed investigation into aspects of the industry's prices in four years.

The Monopolies Commission is investigating British Rail's south-east commuter services and is expected to start an investigation of the "Surrey-Trent Water Authority" soon.

Mrs. Sally Oppenheim, Consumer Affairs Minister, said last night it was important to establish that everything possible was being done by the CEGB to increase efficiency and to keep costs to keep prices as low as possible.

The commission has been asked to examine five areas in particular:

- The CEGB's internal cost and project control systems.
- The management information system.
- The CEGB's purchasing policy.
- The management of plant maintenance.
- The planning and appraisal of new investment.

The commission will have to decide whether any of these activities by the Board are operating against the public interest.

Mrs. Oppenheim denied suggestions that the delay in launching investigations into anti-competitive practices by single companies under the Act has been caused by pressure from industry.

She said the delay had been caused by the need to lay all the various enabling orders before Parliament at the same time. These orders would be laid before the end of June. The preliminary work of the Office of Fair Trading had not been held up by the delay.

The office will carry out a short investigation of anti-competitive practices by single companies before deciding to refer the cases to the commission for a six-month probe.

It is still understood, however, that no OFT investigations will be formally announced until, towards the end of July.

## Front-runner in a competitive field

BY GUY DE JONQUIERES

IT WOULD be tempting to describe David Elsbury, named yesterday as chairman and chief executive of the newly-formed Rascal-Decca, as a true company man. He has spent his adult life in the unglamorous position of junior tester of refurbished British Army radios.

But nothing in his subsequent career or brilliant personality smacks of the cautious corporate yes-man who succeeds by obediently toeing the company line. Now 44, Mr. Elsbury owes his rise through the ranks to a position only a notch below that of Rascal's chairman, Mr. Ernie Harrison, to a combination of energy, quick wits and dogged hard work.

Singled out as a young "flyer" by Mr. Harrison, Mr. Elsbury has enjoyed rapid promotion, rarely staying in the same job for more than two years. In less than 10 years he became production manager of Rascal; in 1970 he was named general manager of Rascal-Mobil and, in 1974, its managing director.

A directorship of Rascal Electronics, parent company of the Rascal Group, followed in 1975; in 1977 he was made its deputy managing director and chairman of both Rascal Tacticon and Rascal Communications.

In spite of his reputation as a hard-driving executive in a relentlessly competitive industry, Mr. Elsbury has succeeded without having to resort to ruthless corporate in-fighting. This was no doubt made easier by the rapid expansion of Rascal itself, which provided plenty of opportunities for ambitious young men, and to the "family" atmosphere carefully cultivated by Mr. Harrison. The company prides itself on the fact that its employees are encouraged to mix informally out of working hours.

Mr. Elsbury clearly enjoys the fruits of success. A dapper dresser who drives a Rolls-Royce, he lives with his wife and two children in an old house set in several acres of grounds near the Thames in Berkshire.

A keen photographer and gardener, with an interest in natural history, he also enjoys an occasional game of squash. "But when he plays, he usually wins," says a colleague.

Not that Mr. Elsbury seems to have much time for leisure these days. He is usually at his desk by about 8 am and often has evening appointments, either in London or at Rascal's headquarters near Reading. And few of his weekends are completely free of work.

As a director of a major



David C. Elsbury, new chairman and chief executive of Rascal-Decca: OBE for services to exports

exporting company with customers in 130 countries, he spends much of his time travelling abroad, chiefly to the Middle East, the U.S., Asia and Australia. Last year he was awarded the OBE for services to exports. So far this year, he has made more than half a dozen foreign trips, each of a week or more.

His track-record so far must mark him out as a front-runner to succeed Mr. Harrison, now 54, when he eventually decides to relinquish the chairmanship of Rascal. But yesterday, David Elsbury was not available for comment on this or any other matter. Typically, on the day that his new appointment was announced, he was on a business trip to an unidentified foreign country.

## Miners' meeting

By Our Labour Staff

MINRES' representatives from the 36 pits in South Wales will consider recommendations being drawn up by the area executive of the National Union of Mineworkers to fight the National Coal Board's pit closure plans at a special conference today.

The conference, in Bridgend, follows a meeting yesterday between the leaders of 27,000 South Wales miners and Mr. Joe Gormley, NUM president.

The NCB says that six loss-making pits, employing 4,000 men should be closed this year. It has said a further six pits, employing another 4,000 workers, have an uncertain future.

## How motorists can save £40 a year

By Martin Dickson

MOST DRIVERS could cut their petrol consumption by at least 10 per cent, a saving of £40 a year to the average motorist, according to a Department of Energy leaflet.

The leaflet, "Making the most of your petrol," points out that every 100 lb of car weight needs an extra 10 gallons a year, that a poorly serviced car can increase consumption by 20 per cent, and that economical driving can also save 20 per cent.

## £17m court award to BP is challenged

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MR. NELSON BUNKER HUNT challenged in the Court of Appeal yesterday a £17m award made to BP Exploration (Libya) by the High Court last year.

He said that because of the terms of the contract under which he and BP exploited a highly profitable Libyan oil concession no award should have been made against him. BP cross-appealed for a substantial increase in the award.

The dispute arose after the Libyan Government nationalised the oil field. BP said the contract had been frustrated by nationalisation and that part of the oil Mr. Hunt had received from the venture represented an unjust enrichment out of an operation carried out and financed by BP.

Mr. Peter Curry, QC, for Mr. Hunt, told the Appeal Court that in 1980 BP had joined Mr. Hunt in the exploitation of a concession he had obtained in the vast Sarir field in Libya three years earlier.

In return for a half share in the concession BP undertook to finance the exploitation and development of the oilfield and to operate it. It was to recoup its outlay from the field's production.

Part of the agreement was that, although getting a share of the oil, Mr. Hunt would incur

no personal financial liability in the venture.

The venture proved to be hugely profitable for both sides for five years. Then the Libyan Government nationalised first BP's and later Mr. Hunt's interest.

By that time BP had recouped £18m of the £30.8m it had spent on exploitation and development. It said it could recover the balance from Mr. Hunt.

In the High Court, BP made a claim under the 1943 Law Reform (Frustrated Contracts) Act, which gives the court power to award a "just sum" to the party whose performance of the contract had provided the other party with a valuable benefit.

BP said Mr. Hunt had received such a benefit, which had included BP's services in the venture, the advance by the company of Mr. Hunt's share of the expenditure and the limitation of his liability.

The claim succeeded. Mr. Justice Robert Goff awarding BP \$15,575,823 plus \$3,922,080.

Mr. Curry said that because of the provision in the contract that Mr. Hunt would incur no personal liability, no award should have been made against him.

The hearing, which is expected to last up to a month, continues today.

## New threat to road repairs

GOVERNMENT CASH limits on local authorities could force a further cut of 7 to 8 per cent in road maintenance if inflation continues at more than 20 per cent, the British Road Federation has said.

Mr. Tony de Boer, chairman of the federation, said in London: "This hidden squeeze must put crippling pressures on local authorities and I do not believe that road maintenance can escape."

## Ritz holds rates for 8 months

FOLLOWING international criticism of over-priced London hotels, the Ritz Hotel has guaranteed to hold its present room rates for a further eight months.

Its present rates, which have remained unchanged since mid-1979, start at £40 a night for a single room with private bath and £70 for a double. The Ritz, now undergoing a £50m refurbishment, believes these rates are the best value it has offered since the hotel was founded in 1906.

## Lea road call

A PROPOSAL not to build part of the M25 orbital motorway in North-East London, but to combine it with the Lea Valley motorway 20 miles away, is expected to be made in the High Court today. Mr. Barry Fineberg, a Hackney Borough Council planning officer, said the GLC could save £10m with a Lea Valley road. An appeal is being made against a compulsory purchase order in the Green Belt for the M25 plan.

## Microchip chair

DR. JOHN MAVOR, Reader in electronic engineering at Edinburgh University, is to become the UK's first professor of microelectronics at Edinburgh. The new chair is endowed by Lothian Regional Council with an annual grant of £50,000 for five years.

## Dyers to close

A SPECIALIST dyeing works at Radcliffe, Greater Manchester, will close later this year with loss of 130 jobs. The Whitecroft group plans to close the A. T. Bealey dyeing mill because of operating losses and a deteriorating trading position.

## Workless fears face Coventry

A SUGGESTION that Coventry, with its dependence on the motor industry, may be heading for record post-war unemployment, is in the latest survey of the local economy by the city council.

Mr. Arnold Morton, the City Treasurer, says that unemployment is set to rise "very fast" in the second half of the year. "It seems only too probable that in the next year or so it will exceed the local post-war peak of 16,732 reached in August 1976."

## Talbot prices up

The price of most Talbot cars was raised yesterday by an average of 4.2 per cent. The prices of the Solara, a medium-sized saloon launched in the UK last month, the Ti and the Lotus are unchanged.

Examples of new prices (including car tax and VAT) are: Sunbeam LS 1.0 £3,259.10 (£3,109.60), up 4.8 per cent; Avenger LS 1.6 4-door £3,850.86 (£3,675.20); Horizon GL 1.3 £4,399.03 (£4,196.45); Alpine GLS 1.5 £5,803.08 (£5,607.49).

## Footwear gloom

SHORT-TERM PROSPECTS for the footwear industry are bleak, with competition in home and overseas markets intensifying, a report on the sector by Inter Company Comparisons states. It covers 60 leading companies with sales of £1bn, and says that the three years up to 1978-79 were fairly profitable. Gloom on more recent prospects is due to sterling's high value.

## Channel boost

BRITANNY FERRIES has chartered the Italian motor vessel Faraday, 2,932 tons, from next week to meet growing roll-on roll-off freight traffic on the Portsmouth-St. Malo route.

## Short time

THE 60 workers at British Springs factory on the Stanmore Industrial Estate, Bridgnorth, Salop, have been put on a three-day week. A fall in export orders and political problems abroad are blamed.

## Farmers likely to need special aid, says report

BY RICHARD MOONEY

DECLINING returns over the coming year could drive British farmers from the land, in increasing numbers unless special Government aid is provided, according to the latest issue of Lloyd's Bank's monthly economic bulletin, published today.

Mr. Christopher Johnson, the bank's economic adviser, says that even after the 5 per cent price rise agreed in Brussels and allowing for the effects of improvements in Britain's agricultural exchange rate, UK farmers' incomes are likely to fall by more than 20 per cent in real terms this year.

Prices for British farm produce are likely to rise by about 10 per cent, reflecting the 5 per cent rise in EEC prices and cumulative Green Pound devaluations of 11 per cent between last July and this August. The Green Pound is the artificial exchange rate at which Common Market support prices are translated into sterling.

But Mr. Johnson warns that a rise of at least 17 per cent in the cost of non-agricultural inputs (in line with the general inflation rate) will keep the rise in the added value of UK agriculture down to about 7.5 per cent.

Farmers will also suffer from much higher labour costs, reduced public expenditure and heavy interest charges, he said. Even allowing for an expected reduction in minimum lending rate to 11 per cent by the end of the year interest payments by farmers are likely to amount to about £500m—two-and-a-half times the 1978 level.

Against this background the only way farmers can maintain their incomes is by increasing yields, Mr. Johnson says. But this might cause prices to weaken and, in any case, the scope for further yield increases seems limited following two bumper crop years.

There should be scope for an efficient UK agricultural sector to win a larger share of its own market and to increase exports, but this is a longer term prospect.

A weakening of sterling against the European Currency Unit, in which farm prices are expressed, remains the best hope for British agriculture, he says. This would allow the Green Pound rate to be devalued.

There could be a devaluation of sterling if Britain joins the European Monetary System as a full member, Mr. Johnson says.

...solar, shale, tidal, wind, wave, geothermal, ocean thermal, and so on, and so on, and so on...

The list of alternative energy sources seems endless. Endless possibilities, endlessly discussed. Now, with North Sea oil providing the time and the funds to invest, Britain has the opportunity to press ahead with major developments in alternative energy.

But developing the technology is one thing; putting it into large-scale practice is quite another. The idea of harnessing tidal power, for example, has been around since at least 1910, when Lloyd George's Cabinet debated the merits of a barrier across the Severn Estuary. Now, 70 years later, the latest Government report says the project is 'technically feasible'... but that its economics are still uncertain. Construction is unlikely to start before the late '80s, and could take 15 years to complete. In little over half that time, the oil industry could probably find and develop a new generation of new North Sea oilfields.

Not that we're advocating any delay in adopting alternatives. On the contrary, Mobil is among the

pioneers in many alternative energy fields — including oil shale, heavy oil, uranium and cheaper ways of harnessing solar power. But countries like Britain have spent most of a century gearing their way of life to oil. Building alternative energy industries big enough to take over will take many years and many billions of pounds.

Meanwhile, continued North Sea exploration and development is essential. At least until exotic alternatives can be counted on as down-to-earth solutions.

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## UK NEWS

## Nuclear risks 'very small'

BY RHYD DAVID

THE DANGERS associated with nuclear power were smaller than those in many other areas of life, Mr. Norman Lamont, a Minister at the Energy Department, said yesterday.

He told a Rotary Club conference on nuclear power in Manchester that normal life would not be possible unless people were realistic about very small risks.

A large coal-fired electricity station could generate 20 lb of solid waste a second and coal wastes contained at least a dozen toxic metals, including small quantities of arsenic.

"By comparison, the high-level wastes produced in one year by a nuclear power station, when suitably treated, amount to only a few cubic metres."

After 25 years of nuclear power generation in the UK, the waste products from used fuel rods would fill little more space than a four-bedroom house.

Radioactivity was a manageable problem. The highly-radioactive wastes decayed rapidly. After 10 years, the level was only a fraction of its initial value. Longer-lived wastes took more time to decay, but were much less radioactive.

The technology for conditioning nuclear fuel waste, so it could be stored as a glass solid, was well advanced.

Mr. Lamont said the Government expected Britain to be a major net energy importer by 2000, after the rundown of oil supplies. Nuclear power would then be contributing 40 gigawatts (40,000 megawatts) to the national supply, or roughly one third of requirements, if the nuclear building programme went ahead on schedule.

This was far from being a crash programme, as nuclear opponents suggested, and would leave Britain markedly less committed to nuclear power than some other nations—notably France and Japan—by the late 1980s.

Savings would make an important contribution to overall demand

## Government plans agency to monitor NHS efficiency

BY ROBIN PAULEY

THE Government plans to set up an agency to monitor the quality and efficiency of the National Health Service, Mr. Patrick Jenkin, Secretary of State for Social Services, said yesterday.

The agency, to be set up on an experimental basis, will also be responsible for advising on ways to improve services within the NHS which spends £8bn a year and is Europe's largest employer.

Mr. Jenkin told the Institute of Health Service Administrators that the idea was contained in "Patients First," the Government's consultation paper on reform of the NHS. As a result of reaction to the ideas he hoped it would be introduced as an experiment. Such a body might also advise on the development of services at the district level, he said.

Mr. Jenkin added that another attractive idea in the 3,000 comments on the Government's proposals which he had received was that health authorities should be required to publish annual reports setting out what they have been doing and how they have looked after the health of the populations they serve.

He also emphasised that the consultation paper was never intended to be a document about health policy and health priorities. Mr. Jenkin will make a statement on these in a separate

paper in the autumn which would be the time to judge whether or not adequate attention was being paid to prevention, health education, community care and the so-called "Cinderella" services.

Mr. Jenkin said that the last NHS reorganisation in 1974 placed too great a priority on common boundaries for health authorities and local authorities. This meant that the advantages of better collaboration were bought at too high a price in terms of an over-elaborate management structure for the health service.

On the incentive to collaborate, however, Mr. Jenkin said he supported the system of joint financing even though some local authorities viewed it with mixed feelings.

The Government's basic conclusion on the 1974 reforms was that the district concept of health services was broadly right, but that to involve health authority members in planning and management of services on a multi-district basis was wrong.

The responsibilities on members in such areas were too widespread and complex for them to be properly accountable. Management arrangements had become far too cumbersome in the present system for it to be possible to try to achieve proper accountability.

## Directors' leader opposes EEC works councils

BY RAY PERMAN, SCOTTISH CORRESPONDENT

COMPANY DIRECTORS should start a campaign against EEC proposals on works councils which would amount to a re-run of the Bullock recommendations on industrial democracy, Mr. Walter Goldsmith, director-general of the Institute of Directors, said in Glasgow yesterday.

The EEC's fifth directive on company structure, being considered by the legal affairs committee of the European Parliament, may require British companies to adopt a two-tier board system with a supervisory board of whom a third are

employee-directors, or to set up works councils.

"With unemployment showing a steady rise, companies need the maximum flexibility and speed of response to changing conditions if productivity is to be boosted and jobs saved," Mr. Goldsmith said.

"But there is a serious danger that they will find their hands tied by a set of representative institutions conceived in the late 1960s, in an era of stable corporatism, and totally unresponsive to the more fluid and difficult conditions of the 1980s."

## Credit card-style passport plan

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIR TRAVELLERS of the future may find themselves using a new style of passport, rather like a credit card in size and shape, which would be "machine-readable," under proposals put forward by the International Civil Aviation Organisation.

The organisation is promoting the development as part of the effort to speed the flow of passengers at increasingly busy international airports.

As air travel expands in the 1990s, the introduction of a type of passport which can be instantly scrutinised by machine is considered

essential.

The proposed travel document could be issued as a separate card, or included in a booklet for endorsements. It would contain a series of code numbers and markings giving standard passport information, but in a way which could be instantly checked by a computer.

At busy international airports, the passport would be used with machines and associated computer equipment. The document would have enough information to enable it to be read visually, but more rapidly than usual because of its simplicity and

clarity.

As an additional time-saver, the MRP, as the proposed passport is called, might even do away with embarkation and disembarkation cards.

"But the proposed travel document is not a magic wand that will whisk the holder through immigration control points in no time at all," says the aviation organisation. It will, however, reduce the time spent by officials now having to inspect several pages of the conventional passports.

The organisation recognised, in the late 1960s, the need for new techniques to speed the flow of travellers

through governmental clearance controls at airports.

A study group set up by the organisation has now produced a set of specifications for a new MRP, and the organisation is actively seeking the support of member governments for its universal introduction.

So far, however, the attitude of member countries, of which there are more than 100, is lukewarm. One problem is that many countries still require visas, which would make the MRP a bulky document, as many current passports are, and thus difficult to handle by machine.

## Small firms in Ulster still buoyant

By Our Belfast Correspondent

THE SMALL firms sector of Northern Ireland industry has continued to be reasonably buoyant in spite of pessimism about its prospects, Mr. Colin Anderson, chairman of the province's Local Enterprise Development Unit, said yesterday.

The unit, which is the Government's small firms agency in the province, promoted 1,800 jobs in the year to March 31—a quarter of which came from second or third stage expansions of existing companies.

The cost-per job fell from £4,178 to £3,521, partly because of the Government's policy of seeking more funding from the private sector.

Mr. Anderson said that at the end of 1979 the agency was "slightly unhappy" about the low level of inquiries for aid but the start of 1980 had seen an encouraging upturn.

Since the unit was set up in 1971 it has promoted more than 10,000 jobs at a cost of around £24m. The actual number of jobs in existence at March 1979 was 5,564—against 8,798 promoted—the balance being accounted for by cuts and closures. The figures give the agency an overall success rate of 68 per cent.

## Government paper seeks continued talks in Ulster

BY STEWART DALBY

THE long-awaited Government White Paper on political devolution in Northern Ireland is thought to have passed through the special Cabinet committee headed by Mr. William Whitelaw, the Home Secretary, and to be ready for consideration by Mrs. Thatcher and the full Cabinet.

When the paper emerges—probably during the week June 12 to 20—it is likely to be a consultative document laying the ground for further talks between the main political parties in the province.

It had been thought that Mr. Humphrey Atkins, Secretary of State for Northern Ireland, and officials of the Northern Ireland Office wanted to present a blue-

print for elections to an assembly with a cabinet or executive on the basis of majority rule. This would have excluded power sharing with the representatives of the Roman Catholic minority. Instead their interests would have been safeguarded by weighted majorities in an assembly.

Mr. Whitelaw, a former Northern Ireland Secretary, is thought to have opposed the plan on the grounds that it was doomed to failure because Mr. John Hume, leader of the Social Democratic and Labour Party, would be unable to accept anything less than power sharing at an executive level.

Mr. Whitelaw, one of the

principal architects of the short-lived power sharing executive of 1974, is thought to believe that as there will be time for only one initiative during this Parliament's lifetime it is better to keep the politicians talking and impose a solution later if nothing comes of the talks.

Mrs. Thatcher could, of course, always reverse Mr. Whitelaw's feelings, but it seems that for the moment Mr. Atkins has been overruled by the special committee which, as well as Mr. Whitelaw, includes Mr. Francis Pym, Defence Secretary, Lord Hallahan, the Lord Chancellor and Sir Ian Gilmour, Deputy Foreign Secretary.

## Retaliation warning on import controls

By David Marsh

BRITAIN WOULD inevitably face retaliation from other countries if it resorted to general import controls to solve its industrial problems, says Dr. Harald Malmgren, a former U.S. chief trade negotiator.

In a lecture at the Trade Policy Research Centre yesterday Mr. Malmgren, who held his office during President Gerald Ford's administration, said to attack the problems of industrial structure through trade measures was to attack symptoms rather than causes.

A policy of general import controls has been suggested by the Cambridge Economic Policy Group under Mr. Wynne Godley, the former Treasury chief adviser. It has recently attracted increasing support as industry comes under pressure from the recession and the strong pound.

A critical element in the argument for general import controls was that the rest of the world would understand and tolerate Britain's special position, Dr. Malmgren said.

Such action would break international obligations and "other government would have to suppress all those interest groups of their own whose trade would be adversely affected," for it to work. Retaliatory measures would be inevitable.

This could not happen. Britain's trade problems, weak capital investment and inflation were not unique.

Dr. Malmgren attacked the suggestion that the UK should adopt selective import controls to prop up specific industries. He said this usually helped inefficient enterprises remain viable, but rarely brought about changes in management and an increase in the pace of capital modernisation.

## Concorde wins supersonic route over Saudi Arabia

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A NEW supersonic corridor for British Airways and Singapore Airlines' Concorde flights across Saudi Arabia, which becomes effective for an experimental period today, is expected to cut up to 50 minutes off flight times between London and Bahrain.

The corridor has been agreed after extensive discussions with the Saudi Arabian Government, and will last for four weeks, or longer if there are no significant complaints about noise.

Concorde flights between London and Bahrain have until recently flown supersonically across Lebanon, but permission was withdrawn some weeks ago, because of noise, and Concorde has since had to cross that country subsonically.

The alternative route across Saudi Arabia was permitted for a brief period, but then withdrawn. Suggestions that this was due to Saudi anger at the TV film "Death of a Princess"

were denied in London and Riyadh.

The official reason given was complaints about noise. The route has now been changed to avoid built-up areas.

The new supersonic route covers part of Egypt, down the Red Sea to Wajah on the coast of Saudi Arabia, and then east to Bahrain across Saudi Arabia. It will cut the flight time between London and Bahrain by 50 minutes to about 4 hours 30 minutes.

The subsonic flight across Lebanon not only lengthened the flight time but also meant fewer passengers because of the need to carry more fuel. These problems are now removed, and Concorde should be able to carry bigger loads into and out of Bahrain en route to and from Singapore.

The two airlines jointly run three flights each way weekly between London and Singapore, via Bahrain.

## Stalin autograph fetches same sum as Borgia's

BY ANTONY THORNCROFT

ON THE second day of the dispersal of Ray Rawlin's unequalled collection of autographs at Sotheby's yesterday, a rare signature of Stalin and other Russian and British leaders taken at the Potsdam Conference in 1945 sold for £4,000, about six times the forecast. The same sum secured a document signed by Lucrèce

members of the Committee of Public Safety.

Given that it appeals almost exclusively to British collectors, Sotheby's auction of English pottery did quite well to make £45,760 with 13.4 per cent bought in. A rare Bristolington charger of Queen Mary dated about 1690 sold for £2,100 and a Wedgwood blue jasper necklace made £1,700.

At Christie's yesterday, a Kakiemon oviform jar and cover with a crack and extensive repairs sold for £11,000 in Japanese works of art auction which totalled £150,480. The jar was originally taken to Christie's South Kensington saleroom because it was not considered to be worth much, but in fact it is rare and dates from about 1680.

## Little cause for optimism at Perkins

PERKINS' announcement yesterday that short time working is to be introduced at Peterborough comes as no surprise to anybody who has been following the fortunes of the tractor business, particularly in North America.

While the slump in tractor sales is the immediate cause of Perkins' problems, however, the longer outlook for the UK diesel engine industry, and for Perkins in particular, gives little cause for optimism.

Perkins produced 200,800 engines from its three Peterborough factories last year, and 118,171 engine kits which are mostly shipped for assembly by its licensees in "developing" countries. Sales totalled £348m, but no profit figure is available as the results are consolidated into its parent company, Massey Ferguson of Canada. As much as 40 per cent of Perkins' output goes to Massey factories in the UK and the U.S. which are making agricultural equipment, mostly tractors.

The North American market takes about 45,000 of Perkins' built-up engines, some to Massey factories, but also to other customers. Until recently

about half of this North American requirement was being met by Massey's plant in Canton, Ohio. It was closed down last year because of mounting losses, and production was transferred to the UK. Massey had hoped to sell the Ohio plant to International Harvester but this deal appears to have fallen through.

Tractor demand in North America has been badly hit this year by a variety of factors, which have caused cuts in production at Massey, International Harvester and John Deere. Last week Massey said it would close all its tractor plants in North America for three months in the summer instead of the usual one month. The market for tractors in the UK has also slumped this year, although Massey has not so far announced any cuts at its UK factories.

The situation in the agricultural equipment market is being compounded as far as Perkins is concerned by the fact that many of its other customers in the business of making construction equipment and lift trucks are also feeling the effects of recession.

The outlook for the construction equipment sector in particular is gloomy, with capacity worldwide far exceeding demand. At the same time, Perkins has been finding it increasingly difficult to compete in international markets because of the rate of inflation in the UK coupled with the strength of sterling.

There has been growing evidence that in markets such as Germany, Perkins' prices have been getting out of line with those of other European manufacturers.

Perkins' dependence on the agricultural and industrial equipment sectors looks increasingly like a weakness in this important sector of engineering. Only about 25 per cent of Perkins' third-party sales—those not to Massey—go to the automotive sector. Although truck sales this year will be considerably down on last, this is undoubtedly the sector which has the best growth prospects.

Perkins' reputation worldwide as a supplier of small to medium-sized diesel engines is second to none, but there is concern that it does not have the resources to innovate along

## Concern about offshore oil deaths

By Maurice Samuelson

LORD RITCHIE-CALDER, chairman of the Advisory Committee on Oil Pollution of the Sea, has expressed concern about increasing deaths in the offshore oil industry.

In an introduction to the committee's latest annual report he says last year the loss of life associated with oil production and transportation was much worse than in previous years.

More than 300 people died in tanker accidents throughout the world—doubling the number of casualties in 1978. The rate continued into this year with the loss of lives when the North Sea accommodation rig Alexander Keilland exploded in the Ekofisk field.

A record quantity of oil had also been spilled last year, mainly as a result of the Ixtoc I well blowout in the Gulf of Mexico in which 140m gallons of oil were lost—the largest spillage in history.

There had been a high number of minor incidents around the UK. About 568 spillages of oil were reported, compared with 507 in 1978.

But the committee says it is "encouraged" that some of its long-term policies are becoming effective, both nationally and internationally. It particularly welcomed moves by the EEC to encourage compliance with standards set by the International Maritime Organisation's Maritime Convention.

Founded in 1952, the committee is a non-statutory body. Its members include all the local authority associations, the sea fisheries committees, shipping, and port authority associations, wildlife protection organisations, and representatives of amenity bodies and the tourist industry.

Mr. James Callaghan, the Labour leader, is its president.

## Finniston support qualified

By Maurice Samuelson

THE LATEST qualified support for a statutory engineering authority has come from the Machine Tool Trades Association.

In its response to the Finniston report, the association says the authority must be independent of Government intervention.

It says the Engineering Industry Training Board has the necessary expertise and could provide a blueprint for monitoring the training of professional engineers.

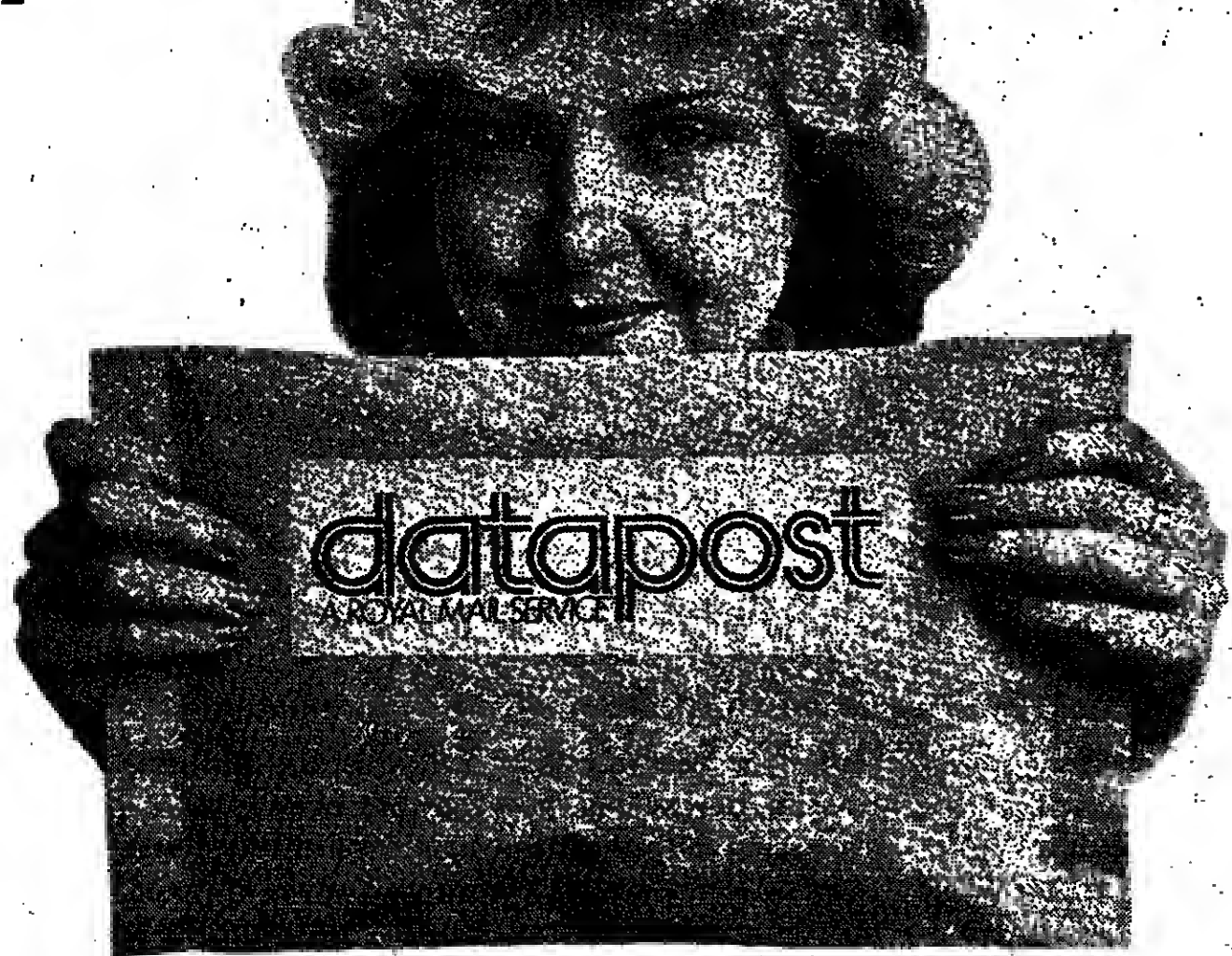
The association criticises the Finniston team for allegedly failing to recognise "the unique industrial co-ordinating role" developed by the training board and the associated Engineering Careers Information Service.

It proposes a continuing role for the professional institutions in the accreditation and registration of engineers. Statutory registration should be obtainable through membership of the institutions.

## Porterage costs raised again

PORTERAGE charges on the Mersey—a fee for moving cargoes from ship to shore transport—are to be raised for the second time in four months, with the agreement of the port users. They are being increased by 17 per cent after a 20 per cent rise in February.

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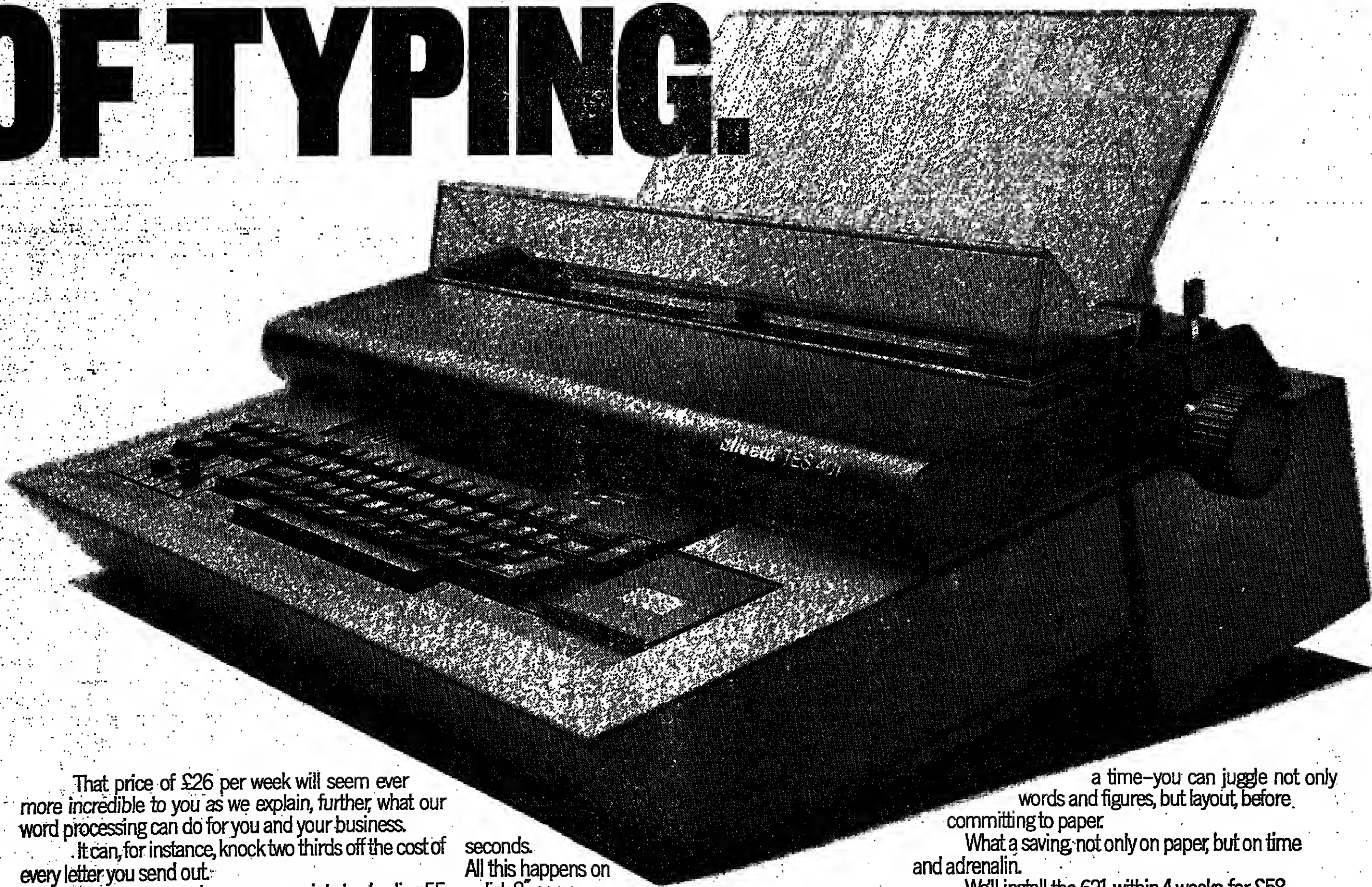
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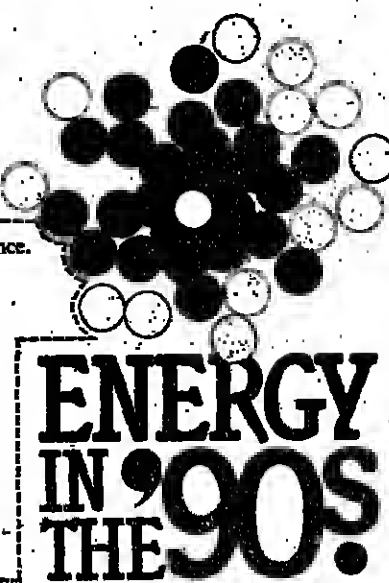
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## UK NEWS

### £20,000 top prize sought for lotteries

BY JAMES McDONALD

THE LOTTERIES Council, formed last year to promote the respectable image of lotteries, is to ask the Home Secretary to raise the existing weekly top prize limit of £1,000 to a maximum £20,000 to revive flagging interest.

It has also drawn up a code of conduct, launched in London yesterday by Sir Graham Page, MP, the council's chairman.

He warned that sport, charitable and cultural activities faced a bleak future in the 1980s unless funds generated from lotteries were allowed to increase. "This will happen only if the Home Secretary sets attractive prize limits which capture and maintain the public's interest."

Sir Graham was speaking in the Guildhall, near the site of the last draw for a State lottery in 1826 when the first prize was £20,000, equivalent to about £300,000 now. He said the present £1,000 limit had been set in 1974. Inflation had made this increasingly uninteresting.

Lotteries organised on behalf of local authorities, sports and charitable organisations produced ticket sales in 1978-79 of almost £90m. This fell to £65.9m in 1979-80, while the money retained by local authorities and societies fell from £34.9m to £24.6m.

The council believes ticket sales could increase to £200m a year if prizes up to £20,000 were offered. "This would mean that over £90m would be injected into sporting, cultural and voluntary organisations."

Mr. Jimmy Hill, chairman of Coventry City Football Club, said that 90 per cent of clubs in the Football League could not succeed if it were not for lotteries and other fund-raising schemes. Sir Graham said the code has been created because although lotteries are controlled by the 1976 Lotteries and Amusement Act, it was felt that certain areas of operation needed clarifying.

COLIN BRADBURY, principal clarinet player with the BBC's most notable orchestra, is prepared to spend this summer on a picket line instead of taking a leading role in the promenade concerts at London's Royal Albert Hall.

The strike action being taken against the BBC by musicians like Colin Bradbury is almost unbelievable to the men and women themselves, who have lived by the maxim that the show must go on.

The musicians have been brought together in opposition to the corporation's plans to axe five of its 11 orchestras as part of a two-year economy plan to save £130m. Redundancy notices have been served to 172 members of the five house orchestras which are due to be disbanded by August. Abolishing the orchestras will save £1.5m, of which £1m, the BBC says, will support musicians outside house orchestras.

The BBC argues that it no longer needs 11 house orchestras, and says: "The regional light orchestras are recording seven sessions a week and we do not need this amount of music of that type."

### Patron

"The BBC intends to remain a patron of music, but it has to offer listeners the best value for the licence fee they pay."

The 41,000-strong Musicians' Union, argues that the cuts illustrate the BBC management's lack of ability and enthusiasm for supporting creative musical work. "They want to leave the responsibility for producing the music that the majority of listeners want to hear to the record industry," said Mr. Stan Hibbert, assistant general secretary.

The present management is digging the grave of public service broadcasting. If they make cuts how do they persuade politicians to raise licence fees?"

It is this alleged attack on creative musical work which has stirred players such as Colin Bradbury into strike action. A member of the BBC Symphony Orchestra for 20 years, he believes that the whole concept of public service broadcasting is being changed and that the BBC will not stop at just five orchestras. Instead of originating music and perhaps changing the style of some of its orchestras, he says the BBC's management is prepared to tolerate "juke box radio."

## The way the music died

Many musicians in orchestras do gramophone recording sessions—at up to £32 for three hours—to supplement their earnings. Basic rates for rank and file orchestra members are not high and players need considerable amounts of freelance work.

Principal players in the BBC Symphony Orchestra negotiate their own salaries but these are

long as the work is not for commercial radio or television. Mr. Bradbury said: "The BBC Symphony Orchestra has always found it difficult to find rank and file players. It looks a very reasonable job but the money is not very good and with regulated work one is tied down. Neither is there a lot of freelance work available—recording studios, faced with

a year, but would have to do more than 1,500 hours of concentrated playing."

But the 85 full members of the orchestra, like self-employed musicians with London's three other major orchestras, do not receive a pension. Costs of instruments can be high—up to £20,000 for a fine old violin—and there is no guarantee of work.

Musicians in the five regional symphony orchestras, which are supported by local authority and Arts Council grants, do not fare as well. At the City of Birmingham Symphony Orchestra rank-and-file string players receive £90, sub-principal players £95 and principal players £101 for a 40-hour week.

Mr. Edward Smith, the GBSO's general manager, said: "Musicians' contracts do allow outside work. Some players teach but this is difficult because of the odd and unsociable hours they keep. Musicians at the GBSO do not earn a large salary and they have many hidden costs to meet, such as concert dress, which can cost over £100, and the maintenance of instruments. "We are very worried about rates of pay. In other countries an artist can earn three times as much money for a concert. But people from abroad continue to perform in this country because our standards of music are so high."

It is these standards which some believe are under attack with the BBC's plan to do away with its five orchestras.

unlikely to be above £10,000 a year. Colin Bradbury said: "My salary is not comparable with those paid to equivalent people in industry, for example."

Mr. Bradbury is professor of the clarinet at the Royal College of Music and does freelance work when he has the time. "Freelance work is for the money," he said. "It pays nearly twice as much as similar time spent at the BBC."

Players in the BBC Symphony Orchestra receive a basic annual salary of £6,632 (1979) and those in the BBC Concert Orchestra £5,491. Contracts allow musicians to perform outside the BBC as

falling record sales, have cut down recently on recording sessions.

Members of other London orchestras, like the London Symphony Orchestra, are self-employed. LSO members become shareholders in a co-operative, which is a private company and charity, and are offered engagements for a fee determined by the Musicians' Union.

A basic concert fee is about £30 and a player could earn in a good week up to £200, but would have to work long hours. Mr. Bruce Campbell, the LSO's accountant, said: "A good player could earn up to £10,000



Strike up the music: Members of the Musicians' Union, on strike in protest at BBC plans to cut the number of its orchestras, put on a tubful demonstration outside Broadcasting House in London.

## APPOINTMENTS

### Chairman change at Save & Prosper

Mr. David Maitland, deputy chairman and managing director of SAVE AND PROSPER GROUP, is to take over as chairman after the annual meeting on June 25. He will succeed Sir Andrew Carawath, who is to retire having reached the age of 70. At the same time, Sir Clement Penraddock and Sir Dennis Fletcher will also retire from the Board. Mr. Maitland will continue as managing director jointly with Mr. Cholmeley Messer, the present deputy managing director. When Mr. Messer ceases to be chairman of the Unit Trust Association in 1981 he will become full managing director of Save and Prosper.

Mr. N. A. T. Marsh has been appointed to the Board of TOMKINSONS CARPETS. In addition to his position as managing director of Steeles, he will be responsible to Mr. L. D. Maclean, group chief executive, for the marketing of contract products.

Mr. David Burditt has been appointed to the Board of CULLIVER FOODS AND LOUIS EDWARDS AND SONS (MANCHESTER). Mr. Burditt will be the director responsible for food manufacturing.

Mr. Cyril Clifford has been appointed company secretary of EUROPEAN FERRIES to succeed Mr. Edward Overington, who is retiring.

Mr. Greville MacGillivray has been appointed to the Board of ARAB LATAM AMERICAN BANK (Arabian) to be its senior representative in London. Mr. MacGillivray retired recently from the Bank of England as deputy chief of the overseas department.

SCHRODER LIFE GROUP has appointed Mr. Malcolm Taylor as director and joint secretary of Schroder Life Assurance and of Schroder Pensions.

Sir Frederic Bolton has been appointed a member of the DOVER HARBOUR BOARD following the retirement of Mr. David McKenna. A further appointment to the Board is Mr. J. A. Lawton, who becomes a Minister's appointee after serving as an elected member since September 1978. He is now deputy chairman.

Mr. Philip J. S. Gray has been appointed to the Board of G.T. MANAGEMENT (UK).

Mr. Paul Brooks, at present assistant general manager and company secretary, has been appointed as a second deputy general manager at the TSB TRUST COMPANY. Mr. Roger Heydon will remain as deputy general manager and will act as general manager during Mr. Brian Brown's absence. Mr. Brooks will now be responsible

for finance and investment, data processing and insurance, and actuarial with Mr. Heydon in charge of business development, insurance services and management services.

Mr. David Russell has been appointed a director and chief executive of the JOINT CREDIT CARD COMPANY, the central service company of the Access Credit Card scheme. Mr. Russell, previously deputy chief executive, is from National Westminster Bank and succeeds Mr. George Gillespie who returns to Midland Bank as a general manager. Mr. Peter Constable, from Lloyds Bank, has become a director and deputy chief executive of Joint Credit Card.

Mr. Anthony D. J. Carratu, Mr. David W. Gravel, Mr. Herbert L. Farrington and Mr. Jeremy Weston have been appointed part-time members of the BRITISH WATERWAYS BOARD for two years.

Mr. Michael V. Craddock has been appointed marketing manager of UNIROVAL ENGLEBERT TYRES. He succeeds Mr. Adrian Silenzi, who has retired as marketing director and general sales manager but remains a non-executive director.

Mr. Robert G. W. Lambert has been appointed by BANCO DI NAPOLI as its representative in Switzerland. He was previously European representative of Barclays, resident in Zurich.

Mr. Hans Locher, deputy director general of Zellweger Uster, Switzerland, has been voted president-elect of the TEXTILE INSTITUTE. He will become president in May, 1981, following Mr. J. Alan Clough, chairman of British Mohair Spinners.

Mr. Barry Maughan has been made managing director of SEPKARN and Mr. Bob Barry becomes sales director. Mr. David Windsor has been appointed finance director. The company is now a wholly-owned subsidiary of the Negretti and Zambra group.

Mr. Tom Starr has been appointed managing director of BOWTHORPE EMF, a member of the Bowthorpe Holdings Group. He was previously marketing director.

Mr. N. G. Daniels, of Jewson Scaffolding, has been elected president of the NATIONAL ASSOCIATION OF SCAFFOLDING CONTRACTORS for 1980-1981. Mr. D. G. Flood is the new senior vice-president. Mr. L. T. Humphrey, junior vice-president, and Mr. W. D. Gwin, honorary treasurer, Mr. C. F. Kendall, of Western Gear (UK), has become chairman of the Suspended Access Equipment Manufacturers Association. Mr. Frank Jewson is the new vice-chairman of that association.

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Notice of invitation to tender together with the tendering forms may be obtained from Branch B (Cereals), Internal Market Division, Intervention Board for Agricultural Produce, 2 West Mall, Reading RG1 7QW (Telephone Reading 853626, ext. 264).

## CORRECTION

### CITY OF CAPE TOWN

An invitation to tender for a Computer-Based Control System for Operation of Council's Power Network Specification Number N37-3/72 was published on Tuesday, May 27 for the City of Cape Town. The initial date for the issue of tenders should have been read on or about the 18th June 1980 and not 18th July as published.

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## UK NEWS - LABOUR

## Third health group to join pay fight

BY PAULINE CLARK, LABOUR STAFF

HOSPITAL CLERKS and administrators are threatening today to become the third major health service group to resist imposition of a 14 per cent ceiling on pay.

Union leaders of the 50,000 group made clear yesterday that they were ready to join the 490,000 nurses and midwives and 37,000 paramedical professional staff in a battle over pay which has been exacerbated by the 12.7 per cent award to doctors and dentists.

The National and Local Government Officers Association and the National Union of Public Employees are among the leading unions who are expecting a head on clash over pay for the administrative group in pay negotiations today.

The unions are angry at what they claim are Government attempts to break a 20-year link with pay to certain grades of civil servants who have received increases of around 17 per cent this year.

At the February, NALGO national officer, said yesterday that the unions were determined to maintain the link which in the past had been accepted without problems.

Hospital administrators and clerical workers last took industrial action in 1974 as part of the protest movement which led to the setting up of the Halsebury pay review.

They include a variety of hospital staff responsible for the smooth running of the service, ranging from secretaries

and medical records staff to regional health administrators. In the past the senior group has followed the pay recommendations of the Boyle review body on top salaries for civil servants.

The management is expected to argue today that the recent comparable civil servants award was based on the 14 per cent cash limits with an additional 24 per cent from manpower savings which are not applicable to the hospital group.

Union leaders of paramedical workers—including radiographers, physiotherapists and occupational therapists—are seeking a meeting with Dr. Gerard Vaughan, Health Minister, to press for a pay increase above the cash limits.

## Building workers seek 50% rise for all grades

BY JOHN LLOYD, LABOUR CORRESPONDENT

BUILDING WORKERS voted yesterday for a 50 per cent wage claim for both skilled and unskilled grades after a debate marked by obvious concern over the rate of inflation.

The biennial national delegate conference of the Union of Construction, Allied Trades and Technicians, meeting in Bourne, Lincolnshire, called on its executive to demand an increase in hourly rates to £3 for craft workers and £2.90 for non-craft workers, weekly rates of £120 and £116.

It called for a 35-hour working week, an extra week's holiday, an occupational pension scheme and increased travel and subsistence allowances.

The resolutions on wages, differentials and the common rate were passed against the wishes of the executive. The composite resolution on wages was prefaced by an expression of alarm at "erosion and projected erosion in our standards of living due to spiralling inflation."

Many delegates complained that the annual wage settlement which the union has just concluded, stipulating a 20 per cent increase on the basic rate to £80 a week for

craftsmen, was too low. The vote for the 50 per cent increase appeared in part a reaction against this settlement.

Mr. Les Wood, UCATT general secretary, defended the settlement, saying that the union had exerted "maximum pressure" on the employers.

"The negotiations with the employers took place against a background of meetings with Michael Heseltine, the Environment Secretary, and John Stanley, the Housing Minister, at which it became quite clear that there would be a recession in the building industry."

"At the end of the day we may have to accept that the work force in the construction industry may be less than in days gone by."

Mr. Wood said that the resolution imposed a craft differential of only 3.3 per cent.

Mr. Steven Pulley, a delegate from Acton Branch, London, and mover of the resolution, won an overwhelming vote with a forceful speech. He said: "If we are to prove our credibility as a union and attract members, we have got to take the employers on."

## BL rejects 'wasted time' plea

By Arthur Smith, Midlands Correspondent

BL CARS rejected complaints last night from a group of workers who said they were wasting their time playing cards and dominoes in the canteen because of lack of work.

The company said that 120 workers at Dreads Lane transmission plant, Birmingham, had been taken off production lines as part of a productivity drive. They were based in the canteen temporarily, but "were being used for maintenance jobs."

The men were retained for a trial three- to four-week period to establish whether the lines could operate satisfactorily without them. Assuming success, the employees, who had volunteered for redundancy, would be allowed to leave.

"This is a rational and sensible decision in order to improve productivity," a BL executive said last night.

The management at Dreads Lane wanted to reduce manning by 200, and had called for volunteers for redundancy. As the first step, 120 workers were taken off production, and 80 more would follow.

This is part of a drive by BL to raise productivity in its 36 car plants closer to the level of that of Continental competitors.

## Civil Service test case withdrawn

BY PHILIP BASSETT, LABOUR STAFF

CIVIL SERVICE union leaders agreed yesterday to withdraw their legal action against the Government on disclosure of information about plans to reduce manpower costs.

The general secretaries of all the unions decided instead to set up a joint consultative committee with the Civil Service Department to help the flow of information to unions on key questions such as manpower and pay.

The unions lodged a complaint against the Government under the Employment Protection Act after an announcement last December of a cut of 39,000 posts.

The complaint, eventually passed to the Advisory, Conciliation and Arbitration Service, was seen by the unions as a test case of their legal relationship with the Government as an employer.

The idea of a joint committee was put forward two years ago, but the two sides were unable to agree satisfactory terms of reference.

The Council of Civil Service Unions told ACAS it was prepared to withdraw the complaint, provided ACAS supplied an observer to assist in establishing the new body.

The Civil Service Department is likely to insist that there are still areas where the Government will reserve the right to

manage the Civil Service as it sees fit.

Union general secretaries were told at the meeting of the council's major policy committee of Government proposals for radical reform of the 25-year-old pay comparability system.

These would bring market forces to bear more directly on Civil Service pay through regional bargaining.

The more drastic option open to the Government is to scrap the pay research system and rely on cash limits to regulate pay increases. The unions are becoming increasingly concerned that this option is gaining in popularity among Cabinet hard-liners.

## Gatemen in dock strike

Financial Times Reporter

SHIPPING MOVEMENTS through the port of Liverpool were at a standstill yesterday when 253 dock gatemen staged a lightning 24 hours strike in support of an improved pay award.

They are due back on shift at 8 am today but have warned they will continue to stage sporadic one day stoppages without notice.

## Milne union appeal starts

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

FORMER LABOUR MP Mr. Eddie Milne claimed in the Court of Appeal yesterday that when he lost his seat in Parliament he had been entitled to be re-employed by the shop-workers' union.

He appealed against a High Court judge's refusal in February last year to grant him a declaration that he should have been reinstated as an official of the Union of Shop, Distributive and Allied Workers after his defeat in the October, 1974, general election.

Mr. John Macdonald, QC, for Mr. Milne, said that he had been a member of USDAW or

his predecessor since 1936. In 1952 he was made area organiser for Central Scotland. In 1960 he was elected, under USDAW sponsorship, as Labour member for Blyth, in Northumberland. He was nominally retained as a union employee, but without duties or salary.

At the February, 1974, general election the Blyth constituency party decided not to reelect Mr. Milne as its candidate. Mr. Milne stood as an independent and held the seat against an official Labour Party candidate, but was defeated in the October, 1974, election.

The union declined to re-employ him, holding that when he stood as an independent he had ceased to be a member of the union's parliamentary panel entitled to retain employment with the union. That decision was upheld by the High Court.

The hearing continues today.

## 'Standby police' proposal

MR. JAMES BROWNLOW, Chief Constable of South Yorkshire, said the national steel strike early this year posed the question of whether a special "standby" police force was needed for emergencies.

He told a conference of chief officers of England, Wales and Northern Ireland in Torquay yesterday he was not, however, advocating a riot police force or riot training.

Mr. Brownlow noted that the South Yorkshire police operated during the strike cost £550,000 and involved bringing in officers from other areas. This prompted him to ask whether there should be a national contingency fund to cover the full cost of policing the national steel strike, and if there was a need to mobilise a standby force when national problems arose.

He said that as well as operating the law, a Chief Constable had to appreciate the feeling of those involved in the dispute.

Before the strike, a senior officer had explained to the employers and union leaders how the police intended to approach their task.

Mr. Barry Pain, Chief Constable of Kent, told the conference that policing the steel strike at Sheerness for nearly 15 weeks cost £380,672. But he believed lawful picketing had its place in society.

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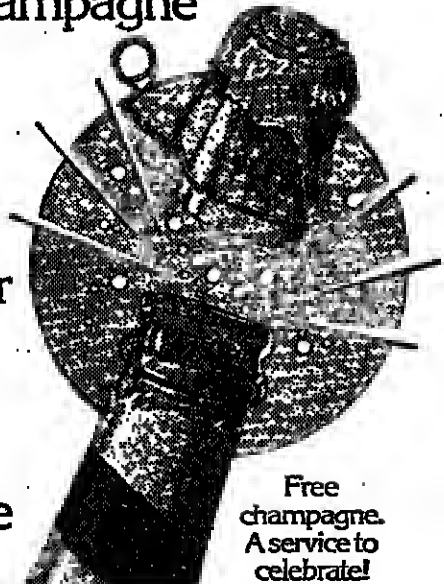
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AKZ O	F.2.50	50	0.80	4	1.50			2.20		"
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NN C	F.17.50				0	0.70		1		"
NN C	F.150				4	6.80	3	2.50		"
NN C	F.35.50									"
NN C	F.150	44	15.50	3	13.60					F.162
NN C	F.160	101	5.50	51	7.40		122	0.40		"
NN C	F.170	218	1.40	78	5.50					"
NN C	F.140									"
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NN C	F.105	6	0.80							"
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## UK NEWS - PARLIAMENT and POLITICS

## Tory peers withdraw on Bill

By Ivor Owen

BACK BENCH Tory peers heeded Government warnings in the Lords last night and did not press an amendment to the Employment Bill which would have compelled unions to hold secret ballot on strikes and the election of key officials.

Earl Gowrie, Minister of State for Employment, argued that for Parliament to insist on compulsory ballots would play into the hands of union militants who wanted to launch a campaign against the Bill similar to that which rendered the 1971 Industrial Relations Act ineffective.

He believed that there was already growing recognition within the trade union movement of the need to strengthen the democratic process in its decision-making, and the Government wanted to stimulate and give further momentum to this encouraging trend.

Lord Gowrie stressed the delicacy of the process and told those peers who wanted to put more teeth into the Bill by making secret ballot compulsory that their action could well have the result of upsetting and thwarting the developments the Government wished to encourage.

He emphasised: "We must not alienate moderate opinion on the shop floor."

## Thatcher anxious for reduction in MLR

By Ivor Owen

WITHOUT GIVING any indication of the likely time scale, the Prime Minister again made it clear in the Commons yesterday that she was anxious to see the earliest possible reduction in the Minimum Lending Rate.

Mrs Thatcher described high interest rates as "one of the greatest problems we have at the moment" and revealed that it was among the matters she had discussed earlier in the day with Sir Geoffrey Howe, the Chancellor of the Exchequer.

The Prime Minister insisted that it was absolutely vital that the rebates resulting from the cut in Britain's contribution to the EEC budget should go to "reducing the Public Sector Borrowing Requirement and therefore, to reducing interest rates."

Mr. James Callaghan, Opposition leader, repeatedly called on the Prime Minister to accept that the Government's economic policy had failed and to take the urgent action needed to arrest the decline of Britain's manufacturing industry.

Amid Labour cheers, he argued that there was no need to wait until July 18, the date fixed for the special all-day meeting of the Cabinet when Ministers will review the results of the Government's first

year of office. "The 'dreadful policies' which over the past 13 months had doubled inflation and left the country facing the threat of still higher unemployment should be immediately reversed," he said.

Mrs Thatcher, who taunted Mr. Callaghan over the uncertainty surrounding his own future as Labour leader ("you are trying very hard"), assured him that economic policy was regularly discussed by the Cabinet.

After repeating that the refunds from the Community budget would go to reducing expenditure and would help with reducing interest rates, she invited Mr. Callaghan's support in encouraging wage increases to be kept in line with increases in productivity.

But I do not expect such assistance from that quarter," the Prime Minister snapped. Earlier she told Mr. Stephen Ross (Lib, Isle of Wight) that keeping wage increases in line with increases in productivity was the greatest help that could be given to manufacturing industry.

But the Prime Minister emphasised: "It is a matter for employers and management to discuss together."

Mr. Ross warned her that the combined effect of high interest rates and the over-valued pound could result in her Premiership coinciding with the greatest decline in manufacturing industry and the greatest number of bankruptcies seen for 100 years.

The Prime Minister reported considerable interest in the location of the new enterprise zones whose creation was announced in the Budget.

There had been a lot of applications and the areas chosen would be announced in the next six weeks.

Mr. David Steel, the Liberal leader, acidly proposed that the Government should commemorate its first year in office by introducing a £1 coin.

He pointed out that under Mrs Thatcher's leadership the value of the pound had continued to decline so that the purchasing power of the 50p piece introduced in 1969 had now sunk to 13p.

The Prime Minister answered that no consideration had been given to introducing a £1 coin. As for the fall in the purchasing power of the pound, most of that had occurred under the previous Labour Government.

## Callaghan and Benn clash over pay policy

By Elinor Goodman, Lobby Staff

MR. JAMES CALLAGHAN and Mr. Anthony Wedgwood Benn again clashed over pay policy yesterday as Mrs. Barbara Castle, the former Labour Minister and long-time opponent of Mr. Callaghan, argued that the time was now right for Mr. Wedgwood Benn to take over as leader of the Labour Party.

In a speech yesterday, Mr. Wedgwood Benn tried to exploit Mr. Callaghan's reformation at the weekend in his belief in pay policy to attack the Party leader's traditional power base in the party among the trade unions and to persuade them to support his demands for constitutional reforms.

Unless the unions help get these reforms through this year's Party Conference, he warned, they could find themselves "shackled" with the kind of pay policy which the last Labour Government had imposed upon them and so contributed to its own downfall.

For his part, Mr. Callaghan, interviewed by ITN, accused Mr. Wedgwood Benn of misinterpreting his words. He repeated his belief that it was essential for the Labour Party to reach an understanding with the trade unions over incomes before the next election.

He was not, he insisted, talking about "shackling" the trade unions, but there had to be a firm understanding about the criteria for fixing wages and incomes.

In his speech, Mr. Wedgwood Benn, who was Energy Minister in the last Labour Government, and who has since the election gone into voluntary exile on the Opposition back benches, claimed that most trade unionists would agree that one of the factors which led to the defeat of the Labour Government last year was the "rigid pay policy imposed against the advice of the TUC and the Labour Party Conference."

In an obvious reference to Mr. Callaghan's speech at the weekend, Mr. Wedgwood Benn said the party was now bearing the burden of a new incomes policy to be introduced by the next Labour Government.

Unless the party accepted the "democratic reforms" he was proposing to make the Parliamentary leadership more accountable, the trade unions could be shackled against their consequences.

The best reception of the main speakers at last weekend's Party conference. Yesterday, Mr. Barbara Castle said on BBC1 that Mr. Wedgwood Benn should replace Mr. Callaghan as leader of the Labour Party.

Mr. Wedgwood Benn has alienated some of his colleagues in Parliament on the Left by his recent suggestions. Some, for example, are uneasy about the idea that all prospective Labour MPs should have to formally agree to abide by the Party manifesto once elected.

As the rules of the Labour Party stand, Mr. Wedgwood Benn would have no chance of being elected leader.

Asked again yesterday whether he intended to stand for re-election as leader this autumn, Mr. Callaghan refused to answer. But he brushed aside suggestions that the divisions in the Labour Party were opening up a gap for a new centre party.

Such a movement, he said, would not get very far because any political party had to rest on organised interests. The Labour Party, he pointed out, had its support among trade unions.

In contrast, Mr. David Steel, the Liberal leader, claimed that the Liberal Party was growing in strength to provide the core of a fresh movement in British politics.

In an oblique reference to suggestions that Mr. Roy Jenkins, the EEC President, might be about to leave Brussels to join such a movement, Mr. Steel made it clear that the Liberal Party was not actively recruiting big names from other parties.

"We welcome the prospects of more recruits," he said, but it was the volume of converts that mattered, "not their individual distinction." He repeated, however, that the Liberal Party was ready to co-operate with others sharing its view of what was required.

## No 'windfall tax' on banks this year—Lawson

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT has no intention of introducing a "windfall tax" on bank profits this year, Mr. Nigel Lawson, Financial Secretary to the Treasury, told the Commons last night.

Speaking during the committee stage of the Finance Bill, he said that high clearing bank profits were a by-product of the Government's determination to root out inflation by monetary policy. This necessarily meant "high interest rates for the time being."

The Minister was under pressure from Mr. Desmond Davies, a Labour Treasury spokesman, to say what the Government intentions were on the possibility of an excess profits tax on the banks.

Mr. Davies recalled that the Chancellor, Sir Geoffrey Howe, had referred to the subject of high bank profits in his Budget speech. Mr. Davies assumed from this that the Treasury was examining the feasibility of a special tax on the banks.

Mr. Lawson stressed, however, that he did not share the view many high for some time to come. "I have confidence they will come down," he said.

Mr. Lawson agreed that there could in principle be a case for taxing the "windfall elements in the profits which for the big food clearing banks, amounted to £15m before tax last year."

But, he added: "To introduce a discriminatory tax on profits legitimately earned by a particular sector of the economy requires a very strong case to be made. In my judgment that case has not been made in the case of the banks this year."

It was undoubtedly true, he said, that there was an element of quasi-monopoly in the clearing banks' position.

But the Government's policies were directed at getting inflation down, reducing Government borrowing and interest rates. That would remove the immediate cause of the high clearing bank profits.

The Government was also strongly criticised by Mr. Davies and Mr. John Gorton, another Labour Treasury spokesman, over the plight of the manufacturing sector as a result of high interest rates.

They claimed that unless there was a change in Government policy, interest rates would stay up for years to come.

Mr. Lawson, however, maintained that it was "absolutely absurd" that the problems of the corporate sector were new and were simply the responsibility of the present Government. Profitability of British industry had been declining steadily for the past 20 years. It was a problem that was inevitable if inflation was to be cured.

"There has to be a period of squeeze," said Mr. Lawson. "No one wants to see a recession, but this is inevitable if inflation is to be squeezed out of the system."

"It is an illusion that the war against inflation can be won without some casualties on the way. We hope that the casualties will be as few as possible."

The main way to reduce inflation was to ensure that wage increases were as moderate as possible. It was the rising wage bill that was squeezing profits to private industry more than anything else.

## Wales CBI attacks committee

BY ROBIN REEVES

THE WALES CBI accused members of the Commons Select Committee on Welsh Affairs, of misrepresentation and discourtesy at the start of the committee's session yesterday.

In an astonishing attack, Mr. Emrys Evans, the CBI Welsh chairman, said that as reports of their initial evidence, 10 days ago, suggesting some committee MPs felt the CBI was holding out a bigger begging bowl than any other delegation was "a complete travesty of the truth."

So was the allegation its evidence lacked intellectual content. At one point he demanded a public apology.

The committee is investigating ways of tackling the Welsh jobs crisis and has been taking evidence from a number of Welsh bodies.

"Newspapers invited us to reply to these charges but we thought it would be discourteous while the hearing was in session. We hoped for the same courtesy, but sadly this is not the case," he said.

Mr. Ian Kelsall, the CBI Wales director, called on the committee to compare the list of measures urged by the Wales TUC. "They would need not a begging bowl but a pantechnicon," he declared.

Mr. Leo Abse, the committee chairman, reminded the CBI firmly that they were not in a position to ask a Select Committee questions.

## Compromise sought in New Hebrides

## No plan for armed force

BY PHILIP RAWSTORNE

AN IRONIC twist of politics in the Commons yesterday saw the Government resisting Labour demands for the use of armed force to maintain law and order.

Mr. Peter Blaker, Minister of State, Foreign Office, was pressed to put down the rebellion in the New Hebrides island of Espiritu Santo.

Labour MP, Mr. Christopher Price, even sought an emergency debate as well as a gunboat.

Neither was forthcoming. Mr. Blaker sternly reiterated Anglo-French support for the democratically elected Government of the islands. He roundly condemned the armed insurrection.

Britain and France were determined to safeguard the New Hebrides' territorial integrity, he declared.

They were committed to the independence constitution and were agreed that legitimate authority should be restored.

But it had been decided to make a further effort to persuade both sides to settle their differences in a true spirit of compromise, he added.

"If no progress is made towards reconciliation Britain and France will decide jointly on what further action to take."

"Weak and vacillating," Mrs. Gwyneth Dunwoody, the Labour spokeswoman, responded scornfully.

Why had the Government abandoned its pledges to keep law and order? Where was the police mobile force that the Government had said was ready for action?

Had the French Government made it clear that it would not allow its nationals to continue flooding the island's government by this "shabby little manoeuvre," she demanded.

Mr. Blaker was indignant—the Anglo-French statement on the issue had been "very strong," he protested. The Government had evacuated 1,400 people and sent two military advisers to the scene, Mr. Blaker added.

Mr. Ian Kelsall, the CBI Wales director, called on the committee to compare the list of measures urged by the Wales TUC. "They would need not a begging bowl but a pantechnicon," he declared.

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## Elinor Goodman reports from an industrial constituency Test of nerves in Tory marginals

"RED RUM IN NELSON" read the headline at the top of the front page of the Nelson Leader last week. Alongside was an equally well-displayed story about a "visitor from Knotty Ash." A story about a local factory closure merited only the bottom of the front page, while the latest unemployment figures for the area, showing an increase of just under 50 per cent since the election, rated a small story on the back.

Overshadowed as they were in the Nelson Leader by the lighthearted stories, it is the reports of factory closures and rising unemployment which will be uncomfortably familiar to those Conservative MPs who, like John Lee, the member for Nelson and Colne in Lancashire, represent marginal industrial seats.

Behind them are the frequent cries of anguish from local businessmen about the pincer effect on their trade of high interest rates and the strong pound. Cumulatively, these stories, and the events behind them, could provide some of the severest test of nerves before Mr. John Biffen's "protracted winter of discontent" is over.

In Nelson and Colne, the recession certainly does not hit you in the eye any more than the bad news does in the local paper. The two small towns which give the constituency its name exude an air of stern respectability, and even if things really were bad, people are proud enough to want to hide it. The streets of back-to-back houses, where an unmodernised terrace cottage can still be bought for £3,000, are immaculately clean. The houses look as if their owners (owner-occupancy is among the highest in Britain) care for them and are prepared to spend money on them.

As local Labour Party workers say, with a sense of frustration, the majority of people are probably not aware there is a recession—though they are certainly aware of rising prices. Indeed, compared to many parts of Britain, the constituency is not doing badly. Unemployment is about average for the country, as a whole at 6.1 per cent. Though the towns grew up in the last century around cotton mills, industry is now much more diversified.

Only about 20 per cent of employment is in the textile business. This spread of industry has meant that Nelson and Colne has not been as badly hit by the problems of the textile industry as some neighbouring constituencies, like Rossendale, which has what John Lee describes as the "double cross to bear" of the textile industry and the footwear business.

But, as John Lee admits, the seeds of recession are already firmly implanted in the constituency, and could produce some unpleasant fruit over the next few years. Not surprisingly, these problems are most evident in the textile sector, where a combination of what John Lee sums up as "IRI, imports, recession and interest rates," have accelerated the decline of the industry and meant that even companies which once prided themselves on their efficiency, and invested heavily over the years, have gone to the wall. Stocks have been slashed by both manufacturers and their customers.

## Black joke

According to one black joke, told last week by a textile manager whose mill was in the bands of the receiver, this has even created cash flow problems for the "fent men" who sell seconds and bankrupt stock. "There's so much cheap stock around they're having to compete with each other for sales and they can't even pay you cash now."

Those manufacturers who survive are nervous. Asked last week whether he was still making a profit, one textile manufacturer looked at his watch and replied "as of 9.18, the answer is yes, but don't ask me after dinner."

Mills have been closing at the rate of about one a week since Christmas. Apart from the closure of a Courtaulds plant, which resulted in the loss of about 200 jobs, the number of jobs lost with each closure has not been large. But they probably add up to well over 500 since Christmas, and many other mills are on a three-day week. Half the members of the Nelson and Colne Union of Twisters and Drawers, one of the multiplicity of unions in the industry, have lost their jobs this year.

It is not just the textile in-

dustry which is having problems. A furniture factory attracted into the area as part of a plan to lessen the dependency on textiles is also on a three-day week.

At a businessman's lunch, the manager of a large packaging company says trade is well down and that he is worried about the last quarter of the year. Already, he admits, he is accepting orders which will give him almost no profit.

In Nelson's Arndale shopping centre, the owner of a boutique says "business fell away after Christmas and has never really recovered. This summer, she says, she will not be buying in special goods for her clearance sale: just selling off what she's got. At a gathering of landowners in the ??? part of the constituencies an official from the Ministry of Agriculture says that farmers are not coming forward for grants.

Wherever he went last week, John Lee was reminded of the problems created by the present level of interest rates. In the textile mills, this was accompanied by a plea for action to stem the flow of cheap imports into the country. In some cases, people did not really seem to know what precise action they wanted from the Government on imports, except a tightening up of the Multi Fibre Agreement next year. But in much the same way as Tory backbenchers were earlier this year calling for something to be done about public expenditure—without specifying what—the textile companies were convinced that something had to be done immediately to help the industry.

The arguments against import controls used by Mr. John Nott, the Trade Secretary, did not seem to have impressed them at all. "We believe in free trade too," said one, in what became a familiar refrain. "But let's have the other team playing the game too."

Another claimed that unless the Government did something now to protect the industry, Ministers would next year be arguing that since the textile industry was already so run-down there would be no point in protecting it.

But in spite of the passionate sense of injustice which some textile employers have about the state of their business, and the problems being caused for others by interest rates, there

was little sign in Nelson and Colne last week of the Conservatives' traditional supporters among the business community losing their faith in the Government's basic economic policy.

One textile manager worked himself into a nervous sweat detailing his problems. It had never been worse for the textile industry, he said. "How can I survive when the Americans can undercut my prices, along with most of the so-called underdeveloped world, and I've got to pay 20 per cent interest and the value of the pound means I'm losing all my export business? It just doesn't make sense."

## Venom

Nevertheless, when asked whether this made him query the Government's policies, he said with equal venom, that there was no doubt that the Government was right, and that this was the penalty Britain had to pay for having lived beyond her means for so long.

Local Conservative councillors showed much the same faith in the Government's ultimate ability to pull the economy round, though they agreed that they had lost the support of some of those who voted Conservative for the first time at the last election.

In some ways, morale among the party faithful still seemed to be relatively high, buoyed by a sense of political righteousness. But it was clear in Nelson and Colne that if the confidence of people like this is to be retained, the Government will need to get interest rates moving down by the autumn at the latest.

Almost as important, in terms of morale, it seemed, would be getting the rate of public sector pay increases this winter below the increase in the Retail Prices Index.

Some Tory MPs who returned to industrial constituencies last week are likely to have come to Westminster this week with much the same message. Certainly, loyal Conservative supporters were not calling for "U-turns" as such in Nelson and Colne, but there was a tendency to talk uphemistically about the need for "flexibility."

And "flexibility" can mean anything, it seems, from import controls to directing bank profits into small business.

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# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOUTERS

## SECURITY

### Signature checked as pen moves

NATIONAL Research and Development Corporation (NRDC) has licensed Transaction Security of Guildford to exploit the signature verification technology known as Verisign, originally developed at the National Physical Laboratory (NPL) with assistance from NRDC and the Inter-Bank Research Organisation.

Verisign is based on the idea that it is very difficult to accurately forge someone else's signature. It is a unique physiological human attribute as are voice prints and fingerprints, and furthermore is something that cannot be lost or forgotten by the owner such as passwords, identity numbers, cards or keys.

Verisign is a patented system for the automatic verification of personnel identity by real-time analysis of their unique, dynamic handwriting style as exemplified by the way they sign their name. The signature is measured in the act of being written rather than as a static image. The originators also believe that the signature is much more acceptable and familiar in society than the voice or fingerprint.

As the writer's pen moves, its position is digitised at frequent intervals; both the geometric and rhythmic properties of the signature are extracted and reduced to a unique and personal

## HAND TOOLS

### Useful for intricate jobs

A MINIATURE electric drill with a 3 mm chuck capacity has been introduced by West Hyde Developments for precision work in electronics, school laboratories and model-making. In electronics, says the company, it has particular application on printed circuit boards and other components, where very fine and accurate control is required.

Called the Titan, the drill has a cylindrical body 114 mm long and 44 mm in diameter. It is supplied with a tool kit, enabling a variety of tasks to be undertaken. In addition to collets and eight twist drills for boring holes up to 3 mm in

sequence of numbers which are encoded on to an identity or credit card.

After that, whenever the user presents his card—when obtaining money from a bank or seeking entry to premises for example—he writes his name on a similar digitising pad and the resultant digit sequence is compared with that on the card he will have inserted into the machine. If the sequences do not tally, he can proceed no further.

The originators claim that the system can take account of normal day-to-day variations in signature style and rhythm—some people can produce apparently rather different signatures when nervous or under stress or tired—and the system will not reject the customer under such circumstances. The technique has also been proved with extremely large populations of signatures such as Arabic, Chinese and Japanese.

Latest prototype of the system, Verisign 2, is microprocessor based and has been designed and is to be made in the UK by Transaction Security, a British company. It will be aimed at point of transaction checking to government, commercial, financial and industrial areas, and offers full compatibility with modern data communications practice.

GEORGE CHARLISH

## HYGIENE

### Risk of infection lessened

A BUILT-IN colour indicator on a non-woven wiping cloth fades as the material loses its disinfectant properties and acts as a warning to the user to replace the cloth.

This British invention combines ion-bonded wide spectrum bactericides with a wiping cloth and could mean the end of separate disinfectants and applicators having to be used for carrying out hard surface disinfection in hospital wards, pathology laboratories, kitchens, lavatories, bathrooms, etc.

Disinfection now becomes a simple matter of wetting a Wiper cloth in clean water and applying it over the relevant surface, allowing a controlled release of non-toxic disinfectants on to the surface which are sufficient to kill all harmful bacteria without causing stain, staining or corrosion.

Wiper Products, 17 Weymouth Mews, London W1 (01 637 2615).

The cloth can be used repeatedly, with guaranteed safety, says the company, while bold indicator stripes bonded to the bactericides—not the cloth itself—remain visible to show that the disinfectants are present in effective strength.

### Germes are kept at bay

CONVENTIONAL utensils for the hygienic shovelling of food or sensitive materials is a stainless steel shovel, which could cost something like £15. Now available is the Steri-shovel, made of ICI's polypropylene, "Propathane," in hand- and full-length versions.

These are said to be practically unbreakable (even when abused after subjection to temperatures of minus 40 degrees C) and can be sterilised in boiling water without damage.

They are capable of handling heavy, awkward loads, are less fatiguing to use and have no sharp edges to inflict damage or personal injury. Most important, they are non-toxic.

Steri-shovels are also suitable for use around petro-chemical installations, and on oil tankers, since their all-plastic construction renders them less likely to produce a spark, says the maker, Harold Moore (Injection Mouldings).

They are marketed by Ottino Supplies, 12 Livingstone Mills, Howard Street, Batley, West Yorkshire (0924 469665).

## PROCESSES

### High speed tablet production

CAPABLE OF producing up to 260,000 pharmaceutical tablets an hour is a range of Korsch Pharmapress 300 tablet presses making a UK debut at the Interphex Pharmaceutical Equipment Exhibition in Brighton, June 10-13.

Machine is a high performance rotary press which has been developed in consultation with I. Holland, Meadow Lane, Long Eaton, Nottingham (06076 66153).

Inner and outer machine surfaces are smooth so that the Pharmapress can be cleaned and serviced easily, and it operates quietly (only 75 dBA even under maximum load) due to the completely enclosed pressing area and anodised aluminium windows which are

equipped with double impact resistance safety glass and specially sealed to prevent cross-contamination.

Its newly developed dust extraction system is said to completely remove press dust at point of origin. A sorting point in the tablet ejection line separates out all waste tablets produced during adjustment, starting and stopping of the machine, as well as during production, in combination with the Pharmakontroll electronic control instrument.

When fitted to the press, this instrument automatically monitors and corrects the tablet weight. It is said to be the first computer controlled proportion system for the automatic production of tablets within ex-

travely narrow tolerances with fast indication and sorting point control.

To analyse press data, the Pharmakontroll can also be equipped with a print-out for single value control, average value control, and punch length control. By means of the measured press forces, it is possible to rapidly check whether individual punch lengths are correct. Where pressing variations occur, data is automatically printed out on to a control tape.

The Pharmakontroll unit and printer are mounted in single instrument housing adjacent to the rotary press and can also be installed outside the production area in a separate control room if required.

### Ensures pure water

BECAUSE ULTRA pure water is required by today's process industries for use in boiler feed waters, food manufacture, pharmaceuticals, etc., it is necessary to carefully monitor the organic carbon contamination in order to justify recirculation of this precious commodity, says Phase Separations, Deeside Industrial Estate, Queensferry, Cld (0244 816444).

High pressure boilers, for example, demand water with a minimum organic carbon content, and industry suffers the cost of producing such water to

supply the boiler, in addition to the new water supply charges.

Once used, this water is seldom recycled for fear of the consequences of contamination and is thus released, incurring more costs in disposal of what can be purer water than originally available in its raw state.

A continuous determination of extremely low level organic contamination such as oils, fats, etc., can be provided—resulting in vast savings on water quality budgets—with the process organic carbon analyser, the PROTOCSin, says the company.

## TRANSPORT

### Quick run out to the oil rigs

NORWAY'S Aker shipbuilding and offshore fabricating group has designed a new kind of high-speed passenger vessel which it claims could rival helicopters as a rapid means of transporting personnel to and from offshore installations.

The new craft, called Aker OPT (Offshore Personnel Transport), is a cross between a semi-submersible rig and a catamaran. It has been successfully tested in model scale at Trondheim University's ship model testing basin, but Aker will not reveal what scale model was used.

Service speed will be 26 knots, permitting the distance from Stavanger to Ekofisk to be covered in just over six hours. For the OPT's 400 passengers, the journey would take 6½ hours, including the time taken to transfer them to the offshore installations. Four stabilising fins would ensure a smooth ride.

The OPT design is so flexible, Aker says, that it could be used in combination with several of the systems now being developed for transferring personnel from ships to rigs.

The craft would be powered by two gas turbines—one in each of its two streamlined pontoons. It would be 50 metres long and 30 metres wide, giving room for such facilities as a restaurant, film and TV room, etc. Estimated building time at Aker's Norwegian yards is between 18 months and two years.

FAY GJETER

## IN THE OFFICE

### Calculator has more power

NEW CONSTANT memory facility of a hand-held programmable calculator allows it to retain data, program steps and memory partitioning information even when the unit is turned off.

Programs and data can be stored indefinitely and are instantly available, thus eliminating the need to re-enter programs manually.

The calculator has up to 480 programs, or up to 50 data memories. Called the 3158C, it offers the user the flexibility to select a broad variety of combinations by partitioning of memory to allocate available resources between program steps and memory registers.

Retail price is under £100 (inc VAT).

## METALWORKING

### Shapes lathe knives

OFFERED TO the woodworking industry is a new profile knife grinding machine from Automatic Grinding Machine and Engineering Company, Fiddiam Road, Salisbury, Wiltshire (0292 71333).

Latest addition to the company's Autol range of profile grinders for shaping lathe knives while mounted in place on their cutterhead, this machine includes advanced design features which facilitate blanking and regrinding of the knives.

It also includes twin interchangeable heads to rough and finish grind at one setting, and free-floating and bias-free table movement. There is, too, a sample turning fixture to allow pre-setting of blanks and instant checking of knife profile and clearance.

### Drilling in safety

MAINTENANCE TOOLS Trade Association has just issued its latest code of practice, "Safe-guarding Drilling Machines," at a cost of £7.00 (incl. p. and p.), available direct from MTTA Publications, 100-102, Garsington Road, London W2 (01-602 8874).

Contents include advice on holding, coolant and swarf, and other considerations such as lifting and handling, installation and maintenance instructions.

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## HANDLING

### Easier to cope with garments

PARTICULARLY SUITED to the clothing industry for production of garments where machinists can readily remove and easily replace single garments on a coat-hanger—with or without the use of a diablo roller, dependent on the application—a conveyor system which relies on only one rail, using a simple hook-on diablo wheel with a multitude of carriers, it can be fed on automatically or by hand and has been designed to ensure anti-contamination of the products carried, says Midland Handling Equipment, Strutton Road, Great Glen, Leicester (053759 3175).

Called the Railmaster, it has a carrying capacity of up to 50 lb and is suitable for any application where not only are goods to be transported from A to B, but also need to be transferred from and on to live storage rails, without the normal requirement of a twin track system.

## MATERIALS

### Coating cuts corrosion

NEW ONE-PART liquid coating material called Produrite MC9 has been developed to meet the needs of the electrical industry for a one-drip, rapid-cure weatherproofing solution for encapsulating small electric motors, etc., announces Produrite, Eagle Works, Wednesbury, West Midlands (021 556 1821).

Consisting of polymers in a mixed aromatic and ketone solvent, it is said to produce a hard, resistant coating and acts as a waterproof seal, giving protection against corrosion for motors such as those used to drive car cooling fans, windscreen and headlamp wipers, and actuators for pop-up headlamps.

This announcement appears as a matter of record only



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Interlocutory dated 20th May 1980, the

Court of Session, has directed a Meeting

of the holders of the shares of £2 each

including such shares as are represented

by share warrants to be held at the

Thames Sulphur and Copper Company

thereafter called "the Company" to be

held at the offices of the Company at

the offices of the Company at 7, rue de

la Harpe, 75006 Paris, France, on

Monday the 20th day of June 1980, at

10.15 o'clock, for the purpose of

electing a General Meeting of the

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## THE MANAGEMENT PAGE

# Why foreign companies are beating a path down Mexico way

William Chislett looks at the potential for joint ventures in Mexico and outlines the experience of Britain's GEC

THE RUSH is on to establish joint ventures in booming, oil-rich Mexico. New foreign investment this year is officially estimated at U.S.\$1.2bn, a 43 per cent rise over last year's \$810m—a clear sign of the international stamp of approval now being given to Mexico.

Business executives are flocking through Mexico City in an endless procession to seek out the possibilities of setting up joint ventures. So great is the flow that at times the offices of the foreign investment committee in the industry ministry, Western embassies and lawyers' practices seem like New York's Grand Central Station.

But setting up a joint venture is no easy matter, as many companies are discovering to their dismay. As in all developing countries, the bureaucratic hurdles in Mexico are formidable, the time and effort needed is considerable and the cultivating of contacts can be exasperating.

Furthermore, Mexico will not pursue an "open door" foreign investment policy. More often than not businessmen arrive in Mexico with surprisingly misconceived ideas; these are quickly dispelled in meetings with Mexican officials.

Few countries are as nationalistic as Mexico, living as it does in the shadow of the U.S., its traditional foe. The exceptions to the law, which limits foreign participation in a joint venture to 49 per cent, can be counted on the fingers of two hands.



Sir Arnold Weinstein, whose visit to Mexico filled him with enthusiasm for the country.

The Government recently rejected membership of the General Agreement on Tariffs and Trade (GATT) as much on nationalistic grounds as anything else. The economy remains highly protected.

Foreign participation in the Mexican economy is a highly sensitive political issue. The government feels that it can afford not to be more hospitable towards foreign companies since Mexico is blessed with oil. This year, the oil export revenue from Pemex, the State oil monopoly, could be as high as

\$11bn compared with \$3.8bn last year.

Nevertheless the restrictive foreign investment policy is not discouraging the formation of joint ventures, although foreign businessmen are finding that there is not a great supply of suitably experienced partners. There are few economies in the world today which are growing by 8 per cent a year in real terms, as Mexico's is forecast to do this year for the second year running.

The other substantial carrots are political stability and very attractive financial inducements. There are no restrictions on remittance of profits, repatriation of capital and convertibility of exchange.

Domestic fuel prices are also heavily subsidised. For example, top grade petrol is 37p a gallon and its price has not risen since 1976.

Examples of British investment include Fletcher and Stewart, part of the Booker McConnell Group, which recently started a joint venture in sugar production; the Weir Group last year established a joint venture to produce steel castings; Dale Electric is in the process of establishing a joint venture to manufacture generator sets; Inchepe is in a similar position for a joint venture trading company and Dowry Mining will shortly sign an agreement to make roof supports for coal mines.

The investment potential is illustrated by the fact that this week the CBI, the British Chamber of Commerce in Mexico, Nacional Financiera, the Mexican Government's development bank, and the Mexican industry ministry are holding a conference in London and Birmingham to discuss business opportunities in Mexico.

Possibly the most interesting presence in Mexico and one which is a pointer to the tremendous potential for foreign participation in the Mexican economy is that of GEC, the giant British engineering and electronics company.

Many of the 181 companies under the GEC umbrella have done substantial business with Mexico over recent years, particularly Ruston Gas Turbines which has had a joint venture maintenance facility in Mexico for several years. Marconi has also done excellent business in supplying studio equipment for TV channels and GEC Medical Equipment sells X-ray apparatus.

GEC has several agents for different parts of the group who, until recently, all tended to act independently of each other and some of whom did not know each other. This inevitably led to confusion in the Mexicans' mind, since several agents from GEC would sometimes be pursuing the same client for different business but all ultimately reporting to the same corporate company.



Mexico's rapidly growing oil industry (above, near Villahermosa) is transforming the country's economy, but no joint ventures with foreign companies are allowed in petroleum and basic petrochemical industries. Other sectors reserved either for the State or for Mexicans are electric energy generation and distribution, telecommunications, railways and radioactive minerals. Only wholly owned Mexican business enterprises can operate banks, insurance, bonding, and investment companies, TV and radio stations, and freight transport. In mining in the national reserve areas, the maximum foreign participation is limited to 34 per cent.

"Mexicans now at least know what GEC is," he says. A vital element in a successful joint venture is what can only be described as the "chemistry" between the two partners. It is like a marriage and the cliché is more valid in Mexico than in most developing countries.

Companies have failed to make it to the altar because of irreconcilable differences and some joint ventures are set up only to run into difficulties soon after the wedding.

## Domiciled

In order to minimise this risk, companies need to have an executive domiciled in Mexico City to prepare the groundwork and sound out potential partners. It also pays to lure the chairman of the company to Mexico to do some of the courting of the Mexican partner.

Mexican businessmen do like to be courted, but not too blatantly," said a British merchant banker. Lord Weir, chairman of a leading Scottish engineering group, went fishing for three days in the U.S. with his Mexican counterpart after the initial contacts had been made at a much more junior level. Subsequently a joint venture was set up.

The main problem in joint ventures, say well established law firms like Goodrich, Requeime and Associates, the only Mexican company with permanent offices in Paris and London, is financial. Since foreign companies are limited to 49 per cent it is very important that the charter between the two sides explicitly spells out the

financial arrangement. Also a generous allowance needs to be made for extra cost, otherwise when problems are encountered the Mexican partner will often not continue with financial support and, for the sake of its reputation, the foreign partner is left with the burden of pumping in the extra working capital.

Given the restrictive foreign investment policy, companies are advised to have certain guarantees built in to their contracts. These should include safeguards that no significant decision can be taken without minority agreement and that neither side can sell shares without first offering them to the other and at a price previously agreed upon. If the foreign partner does not receive permission to increase his capital to more than 49 per cent—which he will not—then he should have the right to have a say in who will be the new Mexican partner. It should also be possible for a foreigner to hold the job of general manager and other key executive positions.

Generally the Government is inflexible about allowing foreign companies to hold more than 49 per cent of a Mexican company. This is so even when a company fulfils all the law's requirements about the number of jobs, percentage of exports, bringing in technology—which is much needed—and setting up in an underdeveloped part of the country.

It is understood that there have been 16 exceptions made since the foreign investment law was changed to the 49 per cent level. Prior to that com-

panies could be 100 per cent foreign owned.

However those companies which set up before the 1973 law—which is not retroactive—are invariably allowed to expand their existing operations without having to "Mexicanise". But new (post 1973) companies have to stick to 49 per cent.

There is, however, one way in which foreign companies can establish a 100 per cent owned company in Mexico and that is to set up what are called "in-bond" industries, which are able to import duty free. But they are exclusively export-oriented and cannot become involved with the attractive, highly protected domestic market.

In order to encourage the creation of jobs and boost exports, the Government allows 100 per cent foreign ownership if a company brings in over 60 per cent of its imports and re-exports its total finished product output.

"In-bond" companies are almost all located near the border with the U.S., although they can be set up anywhere in the country, because the U.S. is both the source of the great bulk of imports and the major export market.

Companies in the "in-bond" sector will contribute an estimated \$1.3bn to the Mexican economy in value added re-exports.

Very few non-U.S. companies are in the "in-bond" sector, but Japan is beginning to make inroads. Matsushita is setting up an "in-bond" TV chassis plant; a Sony plant came into operation this year and Honda is studying the idea.

## BUSINESS PROBLEMS

BY OUR LEGAL STAFF

## Importance of VAT receipt

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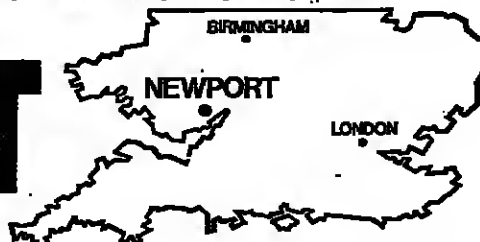
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## THE ARTS

## Television

## A cultural 'howl-round' by CHRIS DUNKLEY

There is an excruciating electronic phenomenon known to sound technicians as "howl-round". Its effect is to convert any speech or music which is being conveyed via loudspeakers into an appalling noise somewhere between a whistle and a screech which is quite intolerable in its increasing intensity. If I understand correctly the explanation given to me, it occurs when the sound source is taken too close to the amplification system, and some sort of electronic vicious circle is set up in which an ever growing volume of sound is perpetually chasing, overtaking, and adding to its own echo. The outcome is a diabolical crescendo which causes listeners, quite literally, to cover their ears.

It sometimes seems that television is creating a form of cultural howl-round which will, in the end, deafen us all

if it doesn't drive us barmy first. At its simplest the process accelerates the rate at which facts—particularly verbal facts—circulate. When you see an ex-convict on a current affairs programme saying of his criminality: "Well, my failure with peer group relationships innit?" you know he spent his last spell in chokky watching last sociology programmes on the telly.

Having turned "media" into a word which is so widely accepted as a singular noun that it is now possible to find oneself being "corrected" when using it as a plural, television is busy doing the same for "phenomena". Chris Goffey, one of the presenters of the Thames driving programme *Wheels*, talking blithely about "a new phenomena" last week, was only the latest in an expanding circle of broadcasters

and viewers who have been busy feeding their mistake to one another for some time now. On Friday, however, ITN produced a mistake which—to me, anyway—was brand new. Describing the flotilla of little ships revisiting northern France, the reporter declared that Churchill had said of Dunkirk "This was their finest hour." (What Churchill actually said of Dunkirk was: "We must be very careful not to assign to this deliverance the attributes of a victory. Wars are not won by evacuations.") But I shall be surprised if, within a matter of days, we do not hear someone else, someone who watched the ITN programme, repeating Churchill's hopeful description of the Battle of Britain as a factual description of the Dunkirk retreat.

Graham Hurley's sombre and no-jingoistic analysis of the events leading up to Dunkirk, *Comrades in Arms* (which, in the increasingly comical scramble of the ITV companies to thrust prestige programmes under the noses of those about to renew the franchises, found itself banished to the nether regions of Sunday afternoon) was presented by a man who might almost have been invented by a keen television viewer working exclusively from a knowledge of previous programmes. Richard Holmes looked just like Hunter Davies, waved his hands just like Magnus Pyke, and pounced on adjectives just like Alan Whicker, thus: "It was three... mournful campaign," and so on. Which is not to say that he did a bad job, but that the pronounced tang of the polytechnic about his lecturing style did not happen to suit my taste.

My preference is for presenters such as Huw Wheldon, Jacob Bronowski, Jack Hargreaves, John Berger, Alec Clifton Taylor, and W. G. Hoskios. Each proved to be an individual with a uniquely idiosyncratic way of expressing his deep knowledge, but I have a dreadful suspicion that if any of them were to come along now to television today they would not be acceptable because they do not line up with the infinitely reflecting images that are perceived by television nowadays when once channel peers into the double mirror set up by the other two.

This tendency for television to refer constantly to its own image and to rely more and more exclusively on feeding its own products back into a circular system has the effect not only of making programmes look alike. Nowadays all television constantly aspires to wards the condition of showbiz gossip. It becomes ever harder to distinguish between a "sports" programme such as *Pre-Celebrity Golf* which is devoted largely to showbiz chat, and a chat show such as *Parkinson* when it is devoted mainly to showbiz sport.

It was anything but surprising that the BBC chose chat-show host Russell Harty to present its coverage of this year's *Royal Academy Summer Exhibition*. The writing went up on the wall in January when BBC sent Peter Ustinov, Natalie Wood and her husband to the Hermitage Museum in Leningrad. This, of course, was the BBC's well on its way down the road to *Pro-Celebrity Culture* and last week's *Royal Academy* programme was just another step. Harty chatted about the pictures, with Irene from *The Forsyte Saga*, one of Harold Wilson's postmasters general, the hutchman from *Dad's Army*, one professional footballer, one female novelist, one of *The Avengers* (the one with long beautiful legs and hair), and almost as an afterthought, Sir Hugh Casson, the President of the Academy.

John Standing and Lorraine Chase in ATV's new series *The Other Arm*

## Festival Hall

## Böhm by ANDREW CLEMENTS

The appellation of president of the London Symphony Orchestra presently gives us at least an annual opportunity to hear Karl Böhm conduct the orchestra. Dr. Böhm is now, in his 86th year, evidently frail but still conveying much zest for the task in hand. His appearances, should he be treasured, if only for the reason that they keep us in touch with a period and an approach to music making that soon may seem a remote golden-age.

His reputation has never been established on the revelatory quality of his interpretations; he is not, except on the most basic level of making an orchestra play to the limit of its ability, an inspirational artist. The strength of his approach lies in his capacity for doing the simple things extremely well. There is no spare flesh on his performances, no surfeit of expression or effect.

It is, essentially a neutral approach to the musical text, concerned, in the most stylish Viennese way, with conveying the essence of the composer's intentions.

For Monday evening's concert the programme consisted of two symphonies, Beethoven's fourth and Dvorak's ninth. Initial disappointment that the New World Symphony should stand where a work more central to Böhm's reputation could be tempered by the vividness of the performance; the LSO spurred on to a degree of excellence not equalled even in its recent concerts with Celibidache, every detail registered, the unanimity of the strings an object lesson in itself. An object lesson too in making every element of a patchwork symphony count: the phrasing of the slow movement allowed to develop and expand naturally, the finale's second

group given full encouragement in exploiting its propulsively rhythmic final tag.

The earlier Beethoven performance had, however, reminded us even more forcibly of the priceless benefits of long-matured experience in conducting the standard repertoire. More exciting versions of the Fourth are to be found—though the musical world is out at present overstocked with first-rate Beethoven conductors and the most original of them has yet to be heard on a London concert platform—but the unadorned elegance of every bar of Böhm's account was almost adequate compensation. Even at such a venerable age he still chooses youthful, brisk tempi, and the LSO's response was equally keen; together they contrived a racy athleticism for the outer movements that was perhaps the least expected characteristic of the evening.

## Elizabeth Hall

## Woodward's Beethoven

After Roger Woodward's complete cycle of the Beethoven piano sonatas in the Orangerie of Kenwood House in February last year, I wrote of an exciting, uneven, and at its finest, exhilarating series—that with some calm thought, and some careful re-shaping of detail, could be less bumpy a ride when it appeared this month on the South Bank, and still more exciting.

On Monday night, after the first recital of his new series, it seemed clear that the time is now finally ripe for Woodward's Beethoven cycle to reach its first considered summit, whole and mature. The manner was calm and commanding, free from unwieldy tensions; from the opening pages, the evening radiated confidence and control. There are many ways of dividing and ordering the sonatas, and each way has its virtues. This time Woodward has chosen to present them

partly out of chronological sequence (although the last four sonatas still make a natural final climax); but it can have been no less taxing to launch directly from cold into the three sonatas of Op. 10—for there is no music in the whole of the piano literature than these early sonatas, whether Op. 2 or Op. 10, more fiercely demanding of the closest focus, or more perilously exposed.

I doubted only the wisdom of the decision to present Op. 10 in reverse order—for isn't the D major No. 3 the essential, inescapable climax of the sequence? It makes for an impressive beginning, and for a slightly pathetic middle—since nothing in even the great C minor Op. 10 No. 1 can match the sweep and power of the D major's invention. The lovely major's invention, pale beside the sublime *largo* of the D major—which Woodward gave (trazer to hear than one would imagine) in true *largo* tempo,

voiced in rapt subterranean colours, and linked ottocento to a minute of wonderful grace and charm. The "orchestral" palette was everywhere lively, and very broad: only once or twice (accentuated by the hall's acoustics) was there a passing fondness not for blunder, but for too warmly pedalled texture where no pedal at all is the cleanest, clearest answer.

After the interval, and contrary to all expectations, Woodward's opening of the *Appassionata* Op. 57 was firmly, almost cautiously, reined in—though he wound up to a tremendous coda. I specially liked his explosive *sforzando* in the finale, and it was good, too, to hear a pianist with the structural sense to give us the (still more rarely observed) repeat. Here the coda was also dangerously fast; but in context it was a thrilling and dramatically vindicated, razor's edge, and triumphant conclusion.

DOMINIC GILL

## on buying a racehorse



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SEPTEMBER 30 — OCTOBER 4  
OCTOBER 14 — OCTOBER 18  
OCTOBER 28 — NOVEMBER 1  
NOVEMBER 27 — 29 and  
DECEMBER 1 — 5

screened the first episode of a new series called *The Other Arm* which proved that if you put your mind to it you can even feed the commercials back into the ever-echoing circle and make programmes out of them. *The Other Arm* features Lorraine Chase, the cockney model from the Campari advertisement.

The idea of developing a booze ad into a full-blown comedy series seemed so unlikely that it came as something of a surprise to find Episode 1 producing a collection of good lines (particularly for Lorraine's Tory MP cooquest and his Etonian pal: "Don't do that to me, I used to have a housemaster who did that to me" and of his fiancée: "I worship the ground she hunts on") and so impressive a number of laughs. TV Times seems to have given up listing production companies and authors so it is hard to be sure, but I thought I saw the names of Clement and la Frenais whizz past on the credits.

Whatever its origins, it certainly makes a change to discover someone reversing the normal course taken by "personalities" such as Noel Edmonds, William Rushton, and (sadly) even René Clément, all of whom have regressed from programmes to the moneyed lowlands of the commercials. At least Lorraine Chase has screamed round the circle in the other direction from Campari to Terry Wogan's *Blankety Blank* and now onto her own series.

Clearly the system relies upon people such as Wogan to create the echoes which are fed back into themselves until they accumulate into a howl. Last Saturday on his new early evening chat show on BBC 1 he was busy promoting and recycling Barbara Woodhouse, the doggy lady in tweeds whose series about training dogs is being repeated on the same channel on Sundays. And of course it was Wogan who developed his repeated references to Dallas on his daily music and chat show on BBC Radio 2 into a running gag which contributed as much as any other single factor to the publicity blitz which softened up the public prior to the notorious "shooting of JR" episode.

In the event, practically the entire adult population eventually discovered on Bank Holiday Monday, the most interesting aspect of this coyly delayed episode was the hype which had been used to sell it; the cootest was the usual far-fetched schlock tricked out in shrink-wrapped plastic gloss. Predictably enough the condition of JR and the identity of his assailant remain unknown and consequently provide powerful selling points for the next series.

There was just one feature of the whole affair which really was significant to the annals of television: the BBC re-ran the scene of JR's shooting as part of the *Nine o'Clock News*. When the famous foundations of BBC news are undermined for the sake of a meretricious soap opera it becomes clear that cultural howl-round is really getting under way.

Only an hour earlier ITV had

to infect even his most loudly projected dialogue with appropriate subtleties. He is matched by a beautiful Beatrice from Annabel Leventon, pretty, playful but dignified, a Mitford girl, an Evelyn Waugh girl.

The humour is kept fairly broad. The offices that kid Benedict (hidden in the summerhouse) play croquet as they jest. When the girls kid Beatrice, she skips about in the greenery to bear every word, finishing with a mugful of water from the fountain in her face. Dogberry (Bernard Bresslaw) introduces some verbal as well as visual ad-libs without harm. Balthazar (Ross Macfarlane) sings "Sign no more" to his own accompaniment on the harpsichord, and leads a harpish quartet for the elegy at Hero's tomb. The music is by Ronald Corp.

Open Air Theatre, Regent's Park

## Much Ado

David Conville's production, with which the season most admirably opens, is set in the time of the first World War. Don Pedro is a British Army brassard, Benedict and Claudio are cavalry officers; the ladies, when we first see them, are wearing VAD armbands and rolling bandages. What uniform Don John and his confederates wear I do not know (Italian, perhaps). The costumes (Tim Goodchild is the designer) are impeccably contemporary, the girls' dresses are sweet, and the change of period is totally acceptable. There is never a line that does not ring true, and the groupings on the groundswart are beautiful.

You could not ask for a better Benedick than Gary Raymond, comic yet with the self-respect that a decent officer must maintain, and the ability

to infect even his most loudly projected dialogue with appropriate subtleties. He is matched by a beautiful Beatrice from Annabel Leventon, pretty, playful but dignified, a Mitford girl, an Evelyn Waugh girl.

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Coliseum

## Stravinsky/Béjart

Béjart and Stravinsky is one of those fabled partnerships, like Romeo and Goeiri, or hacco and strawherries. The Ballet of the Twentieth Century began its week's visit to London on Monday with a triple bill in which the maestro of Brussels offers his interpretations—or, as I believe, mistranslations—of Stravinsky's first three scores for Diaghilev.

The *Firebird* we know of old, with its gallant blue-denim partisans becoming agitated round the flame-coloured leotard of revolution. Béjart's *Le Spring* has also been seen here before: 23 boys meet 23 girls, and do what one might expect. New is the *Petrushka* which Béjart made for Vladimir Vasiliev two years ago. Like its companions in the programme it offers universalities, pronouncements about Life, Love and Art, and a massive expenditure of energy by everyone concerned. Béjart's holdness in seeking to re-work these venerable compositions is entirely in accord with his history of taking dance to a mass audience. His

crashing unsuitably of means—this is slam, bam, wack choreography where attack rather than fluency is the rule—and the heady enthusiasm of his artists, generate a gustily over-heated atmosphere, in which dance seems an art of the poster rather than the theatre.

His *Petrushka* has a sound theatrical idea at its heart: Petrushka putting on the masks of puppet, then blackamoer, then doll, becoming gradually confused by their identities when he enters the mirrored booth of the Charlatan, and finally doubting his own identity, and all human relationships. If Petrushka must be re-done, then this is no bad theme. Alas, the realisation is uncertain. Well stated in Petrushka's own role—taken with tireless force by Jorge Doon on Monday—the choreographic matter looks like routine Béjart crowd-work for much of the time, and the evening is rich in the massed agonising and leaps with which the choreographer keeps his cohorts on the move.

CLÉMENT CRISP

Covent Garden

## Simon Boccanegra

Verdi's *Simon Boccanegra* returns to Covent Garden in a new staging, produced and designed by Filippo Sanjust, Sir Colin Davis conducting. The sponsors are IBM United Kingdom and the Royal Opera House Trust. It doesn't seem as much as seven years ago since we last saw Gobbi's decent production in the house, even with La Scala's sombriously splendid, momentous Strehler-Fragerio version included in their guest season of 1976, coming in between. Since the war, and the pioneer Sadler's Wells production soon after, *Boccanegra* has won a public here. It is an opera which creates addicts.

Monday's premiere, strongly cast round Sherrill Milnes as the Phebean Doge of Genoa with a seafaring past, went pretty well, with moments of distinction though not quite the total effect one hoped for. Sanjust, as in his *Luiso Miller* for the same company, has made an economy production which does not too painfully rub in the theatre's financial plight. His sets are tall, airy, mostly architectural. There seems to be some psychological link between low-budget opera and pale colours: the new 14th century Genoa has clean-looking, cream stone likely enough for the time when the action is set, but it looks insubstantial for that nest of sea-warriors.

Soloists and chorus are moved simply, without fuss, and with greater elegance than Gobbi but with a similar respect for the singers' convenience—being his own designer Sanjust ensures costumes that are seen to advantage in motion (in the council chamber, for example). Unlike many directors today with a passion for gloom (and gloom is undoubtedly present in this opera) Sanjust keeps his evenings and nights light—rather too much so in the prologue, where the stage seems unnaturally empty and unmythical.

There was some delicate orchestral playing in a reading scene notable for keen, intimately expressive details than for grand sweep. There were some hitting climaxes, yet the impression was that Colin Davis is not essentially a very Verdian Verdian: love for this score percolated from every bar but the fullness, intense clarity and noble rage that Verdi at his most elegant demands were not more than intermittently present.

Milnes is comparatively new to the title-role, but we may expect and hope him to sing it often. He was in excellent voice, full-bodied without aggressiveness, suggesting more than one might expect from a baritone of the reflective, idealistic ruler the sea-dog becomes. He had noble support from Boccanegra's mortal enemy the Patrician Fiesco, beautifully sung and acted with dignified restraint by Robert Lloyd—just too much restraint perhaps for one of the finest bass voices of the day to make the full impact which it deserves.

Kiri te Kanawa's Maria, disguised-as-Amelia is familiar from the Gobbi production. The role of the shy, supposed orphan who behaves when put to the test with considerable spirit suits her well. The opening aria was supple and gleaming as before. Some of her singing in the council-chamber scene had too little and some (at the start of the big ensemble) too much fire but she finished the scene finely.

There was an interesting, not wholly convincing Paolo by Jonathan Summers, pitched in a key of high melodrama which took time to make its effect. Unlike John Tomlinson in the similarly villainous but smaller role of Fiesco, Mr. Summers has not so far achieved complete harmony of appearance and gesture. The chorus was in good form, notably in the stage acclamations which play a large part in this complicated story of intermingled private lives and medieval politics.

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## FINANCIAL TIMES

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Wednesday June 4 1980

## Roundabouts and swings

THE EXTRAORDINARY events in the currency markets yesterday, when sterling fell by a clear three cents against the dollar on the news of a prospective improvement of some £700m in the current account of Britain's balance of payments, are both entertaining and instructive. It must be remembered that sterling has been driven up by forces which appear equally perverse—excessive credit demand, leading to a weak balance of payments, and excessive inflation, calling for draconian interest rates to check monetary growth. (This crazy machine does appear to be reversible.)

## Central lesson

The central lesson, it seems clear, is that the exchange rate is far more sensitive to interest rates than has up till now been obvious. During the rise, it could plausibly be argued that sterling's new status as a petrocurrency was driving it irreversibly upwards. Yesterday, however, a statement from the Prime Minister that the savings in our contribution to the EEC budget could best be used to cut Government borrowing, and so reduce interest rates, helped to cause the dramatic turn in sterling. Our repeated warnings that an excessive PSBR would exaggerate the rise in sterling seem on the face of it to be borne out in a most encouraging way: a promised cut in borrowing caused a sharp drop in the rate.

It would be extremely rash, however, to draw large conclusions from the events of one day; all that has been proved is that sterling is not simply a one-way market. Traders may also have been worried by the thought that on the face of it, a cut in our EEC contributions does not affect domestic monetary conditions, but simply the official external balance, and might thus be thought to have no implications at all for interest rates. As a statement of the initial impact, this is accurate; but in the longer run, a reduced EEC contribution, and indeed reduced upward pressure on sterling if this follows, do have important and encouraging implications.

It must be remembered that British acceptance of the EEC compromise was not the only relevant news yesterday. The reserve figures were also published, showing net intervention leading to another rise of nearly \$300m in the official reserves. Over the last six months, this

steady trickle of "smoothing" in the markets has totalled more than \$20n, or some £900m — a flow larger than our contributions to the EEC.

From the market point of view, both transactions are of exactly the same kind: the Government has been providing sterling to foreign holders. It makes no difference at all to the flows in the currency markets whether the foreign currency acquired in this way is added to our reserves, or forwarded to Brussels. The impact on official sterling borrowing is also the same. A rise in the reserves entails borrowing in sterling, as does a contribution to the EEC.

The complicated question is whether such official borrowing tends to add to the domestic money supply. In the short run it does not: the sterling is sold to foreign holders in exchange for other currencies, and their holdings are not part of domestic money. In the longer run, however, it has always been accepted that foreign deposits do tend to contribute to domestic monetary growth, since they finance new lending by the banks. For this reason, we abandoned any hut smoothing intervention in the exchange markets in 1977, and for the same reason, it has always been thought necessary to finance the Government's foreign currency transactions through long term funding.

It seems clear, then, that the major implication of the EEC settlement is not so much for short-term interest rates, which are related to the pressure of domestic demand for bank credit, as for the funding programme. It can be hoped that in the long run an easing of the relentless succession of tap stocks will work through to the credit market as a whole, especially if it becomes possible for companies to fund some of their own borrowing on acceptable terms.

If yesterday's developments are sustained, then, at least in the sense that the upward pressure on sterling becomes more beset after this setback, the Government may have an opportunity which it should seek to enlarge. A reduction in funding pressure strengthens the case for trying to tap new markets and devise new securities which would further reduce the crowding out in capital markets which has caused so much damage.

## The bombers in South Africa

THE BOMB attacks on vital installations in South Africa have come as a shock to the country's white community. Following on top of the widespread schools boycott by coloured children and the recent arrests of Church leaders, they illustrate dramatically how pressure is building on Mr. P. W. Botha, the Prime Minister, and his government.

Although guerrilla activity is nothing new to South Africa, the apparent sophistication and success of the latest attacks are bound to encourage the black nationalist movements. Moreover, they could not have come at a worse time for South Africa's whites whose confidence has been badly dented by Mr. Robert Mugabe's victory in Zimbabwe.

## Vulnerable

It is too early to say whether the African National Congress, which has claimed the attacks, is in a position to repeat them. It will certainly not be so easy to catch the South African authorities as unprepared again as security has already been stepped up at most of the country's strategic installations. But the fact that South Africa's economy is relatively well developed makes it particularly vulnerable to this sort of sabotage. It can increase protection for its energy installations which have long been the economic solar plexus of the Republic, but any industrial country has many vulnerable targets.

It also leaves Mr. Botha with a rather bleak choice. He could decide to tighten security and end the present tentative moves towards liberalising the system. But to fall back to the larger might well cost him much of the country's current healthy economic growth. Alternatively he could choose the more risky path of hastening the pace of change by encouraging black advancement. In the medium term, that carries the very real danger of greater instability as black aspirations rise faster than the system can accommodate them.

The scale of the difficulties facing Mr. Botha should not be underestimated. He has been making some of the right noises lately by showing a willingness to talk to a selection of the black

leaders. And he has publicly recognised the need for amending the inflexible apartheid system. But he has balked at any fundamental restructuring of the society which would meet the demands of the Republic's 20m blacks. Instead, he seems to have been more responsive to pressure from the powerful Right-wing of his party who have obstructed any significant changes.

Concentrating on defusing a difficult domestic political situation within the white community, Mr. Botha has postponed the time when unpleasant decisions will have to be taken about the future of apartheid. He is now in a position of strength thanks to the buoyant economy. If he delays until guerrilla activity has begun to sap his power, he will increase the chances that change can only come violently.

The events of recent weeks also emphasise the difficult choice facing the business community in South Africa. For the most part, businesses recognise that they can go some way towards reducing the tension within South Africa by implementing progressive policies on wages and black advancement. But they also have to keep moving at a pace suited to the general level of change within the country. Although some companies have acted as a lobby for more rapid change others have preferred a back seat role, allowing the guidance to come from the central authority.

## A warning

In addition, foreign companies have had to reconcile their policies within South Africa to the different ethical standards in the home countries, of their parent companies. Reports that 33 UK companies are paying wages below the poverty line have once again brought this issue into parent company boardrooms, but the recognition by the business community that it can encourage change is not enough. The bomb attacks showed that time is not on the side of the existing system. Instead of driving the whites to be more inflexible, it is to be hoped that they take the attacks as a warning that unless there is compromise now, the situation can only deteriorate.

## Political tensions behind China's new pragmatism

By IAN DAVIDSON, Foreign Affairs Editor, recently in China

FOR a visible symbol of what is going on in China you need only go to what used to be called Democracy Wall in Peking. The wall posters which used to display a riotous variety of conflicting views on the big political questions have long since gone, of course. The site is being prepared for an array of hoardings, which will advertise consumer goods, many of them no doubt from the West. Political dissent is out, economic incentives are, at least for the moment, in.

Yet I thought I detected visible symptoms of a continuing tension between the tentative economic liberalism inaugurated by Vice-Premier Deng Xiaoping and the suppression of popular political debate. The shop windows in Shanghai are full of displays of women's dresses, and even of women's bras; but in Peking I did not see a single woman wearing anything but the ubiquitous Sun Fatsen trouser suit in drab blue or green. This may mean nothing more than that the trouser suit is merely working dress. But it is curious that clothing becomes much more colourful and various for both men and women the farther you get away from Peking. Glances into domestic courtyards in Peking suggest that even the Pekingese dress more daringly in the privacy of their own homes.

At the production end, the experiments in economic liberalism and decentralisation seem to be going down well with the people and producing good results, especially in the province of Sichuan, which was the first to try out the new policy. In Chungking, the province's largest town, the people on the streets display a much greater vivacity than the rather morose crowds in Peking. The escort provided by the municipal government seemed much more outspoken (at times positively enthusiastic) than his counterparts elsewhere.

Experimental elections had been held in some Chungking districts, and he hoped that municipal elections would follow soon. Factors which were selected to try out the new economic freedoms must still meet plan targets, but thereafter could keep any excess profit and spend it on wage bonuses, on welfare, or on new investment. In rare cases, these bonuses could reach 30-40 yuan per month, on a basic wage of 50-60 yuan. Where production increases are achieved by teams of workers, the members decide how the bonuses should be shared out.

Chungking in summertime is an oven of a city, and last year there was a severe shortage of fans. This year an electric motor factory had started to take advantage of its new freedom to make fans on top of its normal planned range of motors; in the past, it would simply have stopped work once its planned quota had been achieved.

In some rural communes, the production of private plots to communal land was being raised from seven to 10 per cent to encourage output. In some factories there had been elec-

tions to the post of factory director and, interestingly, sometimes the successful candidate was an ordinary worker, but sometimes also the outgoing director.

Yet all is not always straightforward. In the midst of his eulogies for the new regime, I asked the escort how he had been affected by the Cultural Revolution. "I was part of the Cultural Revolution," he replied. Embarrassed silence on my part. I asked what his job had been before the Cultural Revolution. "Before the Cultural Revolution I had no job. Then I became a Red Guard." Another silence, which he finally broke by saying: "The foreign Press has much exaggerated what happened in the Cultural Revolution" — a view which is largely at variance with that of Deng Xiaoping and his supporters.

Later I visited the Chungking Academy of Fine Arts, which receives 10,000 applications for every 100 student places. Was this so, I asked an academy official, because young people wanted to get away from jobs which appeared to be directly subject to political influences? Through the escort the answer came back: "Yes, that is one reason." But after a further lengthy dialogue in Chinese, I got another answer: "The young wish to serve the people through art."

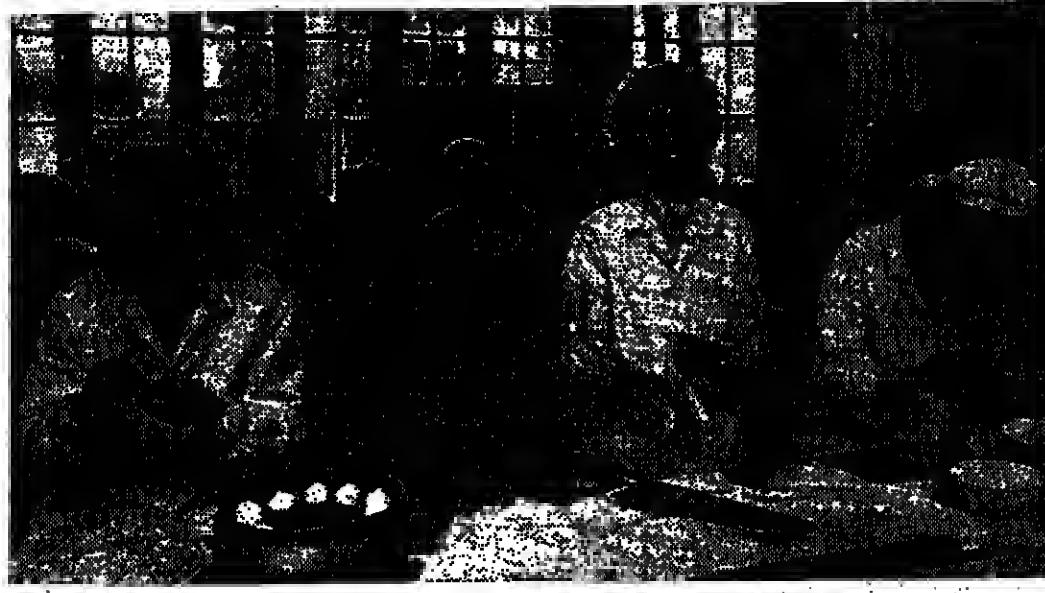
After so many gyrations in political orthodoxy, it is scarcely surprising that individuals should display a disconcerting mixture of frankness, newspeak and sheer opportunism; but it must make it extremely difficult for anyone in government insti-

**Clothing becomes more colourful the farther you get from Peking**

tutions to know whom he can trust, and must make the workings of such institutions extremely creaky.

Encouraging as the new tentative pragmatism may seem to the West, there is no certainty that it will produce the goods. It is common ground among foreign observers that the Chinese have not yet resolved the philosophical tensions between physical planning and market forces, and are still looking at different foreign models — Yugoslavia, Romania, even Japan — as inspirations for experiment. Much more serious, however, is the possibility that China may not enjoy a sufficiently long period of political stability to be able to give the new experiments a chance of success.

Until recently, the most widely propagated view about the political situation in China ran roughly as follows. Since the death of Mao Tse-tung in 1976, the pragmatists (represented by Vice-Premier Deng Xiaoping) have conclusively won the upper hand over the Maoist ideologues (represented by the now-disgraced Gang of



A bakery in Shanghai, photographed by Ian Davidson

Four), and are now, after a false start, embarked on a rational programme for building up the Chinese economy.

Naturally, there are residual ideological problems in the shape of unreconstructed Maoists who still hold influential positions in the bureaucracy, especially in certain provincial governments; equally naturally, there are major economic problems in a country as large and as poor as China, and they will not automatically be solved by the experimental recourse to certain elements of a market economy. Nevertheless, according to this view, the new line and the new leadership are pretty firmly established, and are unlikely to be upset for some considerable time to come.

I heard an even more confident version of this view within minutes of landing at Peking airport, from an experienced China-watcher of many years' standing. According to him, China was now set on a pragmatic-conservative course for at least the next 20 years. Mao's record in economic terms was so thoroughly discredited, and Deng Xiaoping and his supporters were in such a strong position, that they had carte blanche to do virtually anything they liked. Hua Guofeng, at one time Mao's designated heir and now Prime Minister and Party chairman, was virtually isolated in the central committee, and if Deng did not have him sacked or kicked upstairs, it would only be for tactical or presentational reasons.

It was even conceivable that Deng would have Mao's embalmed corpse removed from the mausoleum on Tiananmen Square, or the mausoleum itself demolished. After 30 years of political yo-yo, the Chinese people wanted nothing but stability and an opportunity to make themselves a bit better off.

But there is another, much less confident analysis to the effect that the power struggle at the top is far from over, that Deng Xiaoping is not really in a commanding position at all, and that even if the broad economic policies identified with his name are not about to be reversed immediately, there is

every prospect of renewed political instability. This is, I believe, a minority view, but there are a number of those shards of evidence so characteristic of the China-watcher's art which make it worth considering.

According to the conventional view, the most striking recent indication of the victory of the pragmatists has been the posthumous rehabilitation of Liu Shaoqi, the former head of state who was disgraced by Mao and who died in prison; his rehabilitation was marked earlier this month by a memorial ceremony at which Deng was the main speaker and which was broadcast all over China.

But consider the following: the day before the ceremony, the People's Daily was still discussing the question whether Liu really should be rehabilitated; the current head of state, Ye Jianying, did not attend the ceremony, and almost certainly not because he was too old or infirm, as has been asserted, since he made several public appearances about the same time. While Deng's speech, restored Liu posthumously to his position as head of state, it did not restore him to his party posts. Finally, there was no official obituary of him published by the party, as would have been traditional.

Among Communist countries, China is unusual in having a chairman rather than a general secretary as the top party official. The creation of a general secretariat and the promotion of Hu Yaobang to head it, have been seen by many observers as the first step by the Deng faction to revise the party constitution so as to eliminate Hua's position as party chairman. It may still be the plan. But according to one story I heard, the original list of names for the secretariat did not include a majority of Deng's supporters, and the balance was only fortuitously shifted after the late Chou En-lai's widow had raised objections to some of the original names.

The most ominous recent event was a speech by Hua Guofeng to an army conference on political questions, in which

he quoted Mao in a call for the promotion of proletarian ideology and the elimination of the bourgeois class. In the arcane language of Sinology, which to the untuned ear may sound sometimes like Sino-babble, this is a fairly clear attack on Deng's policy of offering (limited) material incentives to workers and peasants.

Those who believe that Deng is in an unchallengeable position would play down the significance of the speech; Hua knows that he is boxed in and may yet be ousted, he believes that Deng's economic liberalism will fail and Deng will be discredited, and he is merely putting down a marker of his own legitimacy as Mao's heir against the day when he himself will regain the upper hand.

But others take it as a further indication that the leadership struggle is far from over, and they see confirmation of this view in the fact that some of the army representatives at the conference endorsed Hua's Maoist line. According to this view, there is a de facto alliance between the arch-conservatives and the ultra-leftists in the party hierarchy and some of the army leaders against Deng and the pragmatists; and while Deng may have the support of the intellectuals, the students and the peasants, his opponents are better organised, better entrenched and, above all, fighting for their personal survival.

It may be, of course, that the ideological debate over economic liberalism—material incentives, productivity bonuses, greater independence for factories, the profitability criterion—is less important in terms of what rival factions really believe makes economic sense than as a stalking horse in what would otherwise be merely a naked struggle for power between rival, and shifting cliques.

But it stands to reason that there is an underlying conflict between economic liberalism, however tentative and experimental, and the supremacy of a party machine

It is frequently said that shortages of consumer goods in the Soviet Union are the unfortunate consequence of an inefficient economy, and that this inefficiency is in turn the unfortunate consequence of a highly bureaucratic system. It can also be argued that consumer deprivation is an indispensable feature of a Marxist-Leninist system, since it would be extremely hard to reconcile an authoritarian and bureaucratic state machine with relative abundance and genuine consumer choice. In China Deng was forced to backtrack from the policy of tentative toleration of popular debate, as in the wall posters on Democracy Wall, and the impression that this was a trade-off between the economic pragmatists and the political authoritarians has been reinforced by the re-publication of the state security laws of 1958 and 1961 which are draconian in their restrictions on the communication of information.

As it is, all the economic observers I met in China agree that one of the country's main problems is the lack of co-ordination and co-operation between different ministries and institutions. If the state security laws are enforced in their full rigour, economic co-ordination will become virtually impossible.

In between those China-watchers who believe that the country has 20 years of political stability ahead of it, and those who fear that political stability is just around the corner, there are diplomats who

**There are fears the country will revert to rigid isolation**

give China five years before the massive problems of modernising a largely agricultural country of 1bn people finally prove insurmountable, and who fear that when disillusionment sets in, the country will revert to its age-old tradition of isolationism under a regime of total rigidity. Yet others believe that the Chinese may have just a chance of tripling their national income per head by the end of the century, and then begin to wonder, in some trepidation, how such a country will deal with the rest of us.

If Deng Xiaoping is more or less in charge of immediate events, the conundrum he must solve is that of achieving the maximum amount of political freedom, so as to release the energy and initiative of the Chinese people, while provoking the minimum antagonism among the entrenched party bureaucrats and ideologues. On the face of it, it looks a daunting, if not impossible, task, and it must be questionable whether imported notions of decentralisation and Western management will be a match for 4,000 years of authoritarianism.

## MEN AND MATTERS

## Up pops Roberto in Coke shuffle

Is this to be the crunch year in the Great Soda Pop War between Coca Cola and Pepsi? At the last bottle count both had just over a fifth of the U.S. market, although Coke was slightly ahead. But Pepsi is growing faster, and like another household name, it tries harder.

Coke, under pressure, is determined to stay in front. So resolute in fact, that in a sweeping management shake-up the Atlanta-based company has just scrapped its entire top-level executive structure and in the process brought forward the most likely to succeed Paul Austin, chairman and chief executive for the past 10 years.

Austin, who retains overall control, has handed over chief executive powers to the new president, Roberto Goizueta. Born in Cuba 48 years ago, he was formerly one of the many—mostly unknown—vice chairmen of Coca Cola.

The surprising feature of his elevation is that he did not make his name in the company through the hurly burly of marketing—which is basically

what the company is all about. A trained chemical engineer, his forte in the past has been in administration and technology. But Coke, like many U.S. businesses, may have begun to discover that running a company these days has as much to do with government, lawyers and process plant than persuading teenagers that things go better with Coke.

## Elf service

Keep your eyes peeled, for a new addition to the fantasy world of London's leading tourist attractions. For soon, among all the saints and heroes will be appearing a representation of a small gentleman in a silly hat. City representative of the Department of the Environment, he is being posted to the capital to test how well he stands up to the pressure of urban life.

Unnamed as yet, the new-comer will be one of a team of six garden gnomes which will shortly be cast at the DOE's Building Research Establishment at Garston, near Watford. Offspring of one Dr. C. A. Price (I kid you not), the gnomes are being manufactured in a variety of materials to discover how best to restore or replace crumbling stonework on our national monuments.

Unwilling to discuss the economics of the test—only modest sums are involved—Price also refuses to tell me where the little fellow will live during his exposure to the hazy atmosphere of London. "You can't squeeze it out of me," he says, "but it will be on a very well-known landmark." The rest of his family, however—made of cement, concrete, glass fibre and coated with different protective materials—will be posted to the relatively benign and private climate of the establishment's official exposure site near Watford.



"Another bereavement, I see"

of being replaced by plastic replicas. His current commission comes from the Directorate of Ancient Monuments, which is troubled by the sorry state of the 300-odd statues populating Wells Cathedral. "Of these, no more than one or two are likely to be replaced," he says. In fact, he deliberately chose not to make copies of the crumbling statues for his tests to make clear as he puts it, "that this is not an artistic exercise, rather a scientific experiment."

## Hey presto

Are we soon to expect more commercial magic from James Gulliver? I ask because no sooner has he finished conjuring up his embryonic food empire than he pulls another rabbit out of the bag — David Burditt, former managing director of Borthwick.

Burditt, it turns out, last heard of in September slamming the Borthwick boardroom door with an £88,000 cheque in his pocket, has been advising Gulliver since then. Now, with his advice obviously well taken, he has been appointed director in charge of food manufacturing on the boards of Gulliver Foods and its sister company Louis C. Edwards.

In his days as managing director of Borthwick's international division Burditt did great things for the reputation abroad of Horlicks and Enos Fruit Salts. At the same time he made a name for himself as an expert in the fields of marketing and self-financed growth—precisely the commercial characteristics which have aided Gulliver in his travels towards the top of the heap in the food business.

## Taxing journeys

A tenacious type our tax man. Unabashed by the pending action in the European Court of

Justice in which our Euro-MPs are challenging his right to crave his pound of flesh out of their allowances, he is now attacking on a new front which has set certain members quaking in their boots.

Most who live in, or within the statutory 20 miles of their constituencies, can claim tax relief on their European travel bills. But there are several, living away from their electors, who have been told that because their travel is from home (rather than work) to work in Strasbourg, Luxembourg or Brussels, they like the rest of us, cannot claim tax relief on their plane tickets.

"I spend about £3,500 a year on flying to and fro," one afflicted parliamentarian tells me. "And the implications are horrendous." Not wishing to reveal his name, for fear of jeopardising his chances in his impending confrontation with an Inland Revenue inspector, he claims that for those without other income, the net result will be bankruptcy or forced resignation from the European Parliament.

Anthony Simpson, the Tory link-man in Brussels, however, is a man of stronger nerve. In no other EEC country does the state interfere with the allowances, he tells me. Confident the Revenue will be put in its place by the Luxembourg judges, he says: "I think we can out-flank them." I certainly hope so. The last thing we need is a re-run of these tedious Euro-elections so soon after the first lot.

## Colour blind

Quote from Associated Asphalt's London manager Bill Heather, who is currently engaged in re-laying the surface of the Mall: "It is probably the most prestigious job in the black-top business, except that it is in red."

Observer

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Wednesday June 4 1980

# Finance for Small Companies

## A key issue in many countries

By John Elliott

DURING THE past few years the problem of how to arrest the decline of small businesses has become an issue of increasing political concern in many parts of the world.

Throughout Europe, in North America, and even in Japan, governments and business communities have been considering how to encourage the creation and expansion of smaller enterprises which have been disregarded and sometimes driven out of existence during the past few decades.

This interest has been sparked by concern about industrial and urban decline and about the general inability of large companies to expand their labour forces at a time of high unemployment. There has also been concern that the inventors and entrepreneurs needed in the future will not start out in business unless the climate in which small businesses are set up is improved.

As a result, government notices have been introduced to tackle problems such as the flow of funds, the provision of

Industrial decline and rising unemployment has prompted many countries to introduce an increasing number of measures to encourage small businesses. In Britain, for example, the Government is removing legislative and other burdens, as well as increasing tax incentives and trying to improve the flow of funds.

premises, the impact of taxation, and the other issues which dog the entrepreneur. The hope is that such actions will quickly create new jobs and will lead to the establishment of businesses that will provide the country's wealth in the future.

In Britain, this movement started nearly three years ago when Lord (then Mr. Harold) Lever was appointed Cabinet Minister in charge of co-ordinating the then Labour Government's policies. Mr. James Callaghan, the Prime Minister, having been encouraged by Liberal MPs through the then Lib-Lab pact, saw the political mileage in looking after the individual entrepreneur. He was also concerned to show that something was being done about unemployment and the inner cities.

For the past year this work has been taken over and expanded by the Conservative Government whose Industry Secretary, Sir Keith Joseph, believes in the inevitability of the life-and-death cycle of small and large companies. He is therefore more interested in helping emerging entrepreneurs than in supporting lame and dying industries.

The UK has a more limited small business sector than most other developed economies, largely because of rapid decline

in the 1950s and 1960s, and there is some doubt about actual numbers. Provisional figures (see table) suggest that there are 1.3m small businesses employing about 6.2m people—about 25 per cent of the working population (23 per cent in manufacturing industry). This is not significantly different from statistics prepared for the Government's Bolton Report on small businesses ten years ago, although it does mask some decline and also illustrates that there has been no growth. Small businesses sometimes defined according to turnover, but are generally regarded as those employing 200 people (which is the official designation in manufacturing industry). In practice this means enterprises which are owned and run by only one or two people and which have a relatively small share of their market. They are therefore the businesses which are most susceptible to swings in economic fortunes—as the present high state of UK bankruptcies shows.

No one doubts that these businesses are vital for a healthy economy and that they can help in creating jobs. But the simple notion, especially fostered by the present UK Government, that they can do anything significant in the short-term or even medium term to compensate for job

losses in large industries is now being questioned. The TUC, for example, told the National Economic Development Council recently that the Government's approach "overstates the potential contribution of small firms to growth, employment creation, and technical innovation in the economy."

### Expensive

Trade unions are, of course, not much interested in small businesses because their owners often tend to be anti-union and because they are difficult and expensive to organise effectively. But the TUC's comment was based on a neoclassic, not a trade union organisational stance, and it reflects concern in many quarters that Sir Keith and his colleagues are relying too much on small businesses, which are unlikely to produce much help to the economy for up to a decade.

What is not questioned is that the British Government—and its equivalent in other countries—are right to change the climate and remove the impediments to the progress of such businesses. Critics, including the TUC—are, however, quick to point out that all the good the Government is trying to do may well be cancelled out by the industrial impact of its economic and

financial policies—such as the high level of interest rates.

It is sometimes suggested that a more selective policy should be adopted towards small businesses in order to try to protect and encourage the best. This is an issue now being considered in Japan where there are about 5.4m small businesses employing 32m people.

Any idea of "picking winners" is, of course, anathema to the present British Government, especially to Sir Keith.

Broadly, the Government's policies fall into three main areas: First, it is trying to set the right economic climate and to provide incentives through various taxation and other changes, some of which were announced in the Budget two months ago. Most small business organisations were pleasantly surprised by the Budget's "enterprise and small business package," although they still want more to be done on capital taxation.

Secondly, the Government is removing legislative, administrative and other burdens. It has changed employment laws, eased planning controls, and drawn up proposals for simplifying company laws. Sir Geoffrey Howe has launched his own idea for small experimental "enterprise zones" where busi-

nesses can operate without having to bother with other restrictions. The Government has also taken over the last administration's campaign to cut down the number and complexity of Government forms that businessmen have to complete.

Thirdly, it is trying to ease the flow of funds—both for basic investment and for property—into the small business area. In addition to exhorting the clearing banks and other financial institutions, it also hopes that the "Aunt Agatha" type of family investor will invest more. It has also developed other sources such as the European Investment Bank which, under arrangements negotiated by the last Government, contributes half the money for packages as small as £34,000 in assisted areas.

But the Government has shown little interest in more interventionist type of financial arrangements. It has, for example, not gone ahead with an Industry Department plan for a State-aided guarantee scheme covering venture capital investments. It has also refused so far to agree to State involvement in a clearing bank loan guarantee scheme, despite considerable pressure for some such arrangement from within the Conservative Party, and it

has rejected calls for the creation of a small business Administration.

The work of the National Enterprise Board has also been cut back and there is little Ministerial interest in its activities, even though small businesses are supposed to be one of its basic areas of operation.

The gradually increasing interest being shown by financial institutions in small businesses is, however, something of a success for Sir Keith. The main problem has been the provision of packages of funds of, perhaps, £10,000 or £20,000 in the absence of many "Aunt Agatha" family investors. One or two institutions, including the Post Office Staff Superannuation Fund, have started experiments to see if they can be of use.

The problem for such institutions—and for clearing banks—is the high administrative cost of investigating and monitoring such small investments. This is why the Post Office Fund has linked up with the Government's Counselling Service which does much of the administrative work.

Financial institutions have also shown new interest in helping to provide premises for small businesses, especially the smaller garage-sized workshops

which the Government is convinced are needed in considerable numbers if would-be small businessmen are not to be put off starting their first ventures. The Legal and General, the NCB Pension Fund and Barclays Bank are among those involved in this area, and the Government is also providing further help by relating building allowance regulations.

Meanwhile many other large companies have also shown a rapidly increasing concern about the plight of small businesses, and have set up various ways of providing help. So it is clear that something at least has been achieved in the past few years because small businessmen are now operating in a far more sympathetic political and social climate.

What is still in doubt, however, is whether the right things are being done and whether small businessmen can thrive with institutions, rather than relatives and friends, as their main sources of finance. In addition ministers are almost certainly placing far too much political emphasis on the contribution that small businesses can make to the country's short-term recovery.

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### SMALL BUSINESSES IN THE UK

SECTOR	TURNOVER:			EMPLOYMENT:	
	Numbers of small firms (thousands)	Small firms 1976 total (£m)	% of all companies	Small firms total (thousands)	% of all companies
Agriculture	150	4,500	57	420	60
Manufacturing	100	8,000	18	1,575	23
Construction	290	7,000	25	715	43
Transport	60	1,450	17	245	38
Wholesaling	75	8,400	16	315	37
Retailing	235	9,000	26	990	40
Finance	20	1,250	2	35	5
Property	35	2,240	23	40	44
Professional services	50	1,670	29	275	47
Catering	100	4,240	63	580	64
Motor trades	50	3,600	19	180	40
Other services	105	2,650	31	550	58
All others	35	3,000	24	280	60
Total	1,300	57,000	19	6,210	25

These figures are collated from Government statistics for 1976. They relate to firms having an annual turnover of less than £150,000 (wholesaling, less than £500,000; motor trades £300,000; manufacturing, 200 employees; and construction, 25 employees).

## Role of the City

By Christine Moir

WHEN THE Wilson Committee, which is investigating the financial institutions and their relations with British industry, finally publishes its report (probably at the end of June), it is likely to contain a minority report from the Trade Union representatives urging the City to establish a new source of finance for industry.

The background to this is the growing political awareness of the value to the economy of promoting new small businesses.

The report, which will have the backing of the TUC, recommends the creation of a National Investment Bank, underwritten by the Government, but with finance supplied by the pension funds and insurance companies. It suggests that Government direct the institutions to place on call to 10 per cent of their annual inflow of funds. At present rates in inflow that would amount to some £350m a year.

In addition the report may suggest that a further £1bn be made available to the bank from North Sea oil revenues.

The scheme is sure to meet fierce opposition from the financial institutions. They argue that they already pour more than 10 per cent of their income into British industry, either directly by investment in individual companies, or indirectly by subscribing on average a third of their funds to Gilt-Edged Securities. A substantial element of Government funds raised through the Gilt markets, they argue, finds its way into British industry.

They will also believe that the sums suggested by the TUC lobby are far in excess of the reasonable financial demands of industry not already met by existing media such as the Stock Exchange. The Industrial and Commercial Finance Corporation, part of the City-established Finance for Industry group, for instance, has been able to invest only £330m in industry in the past decade in spite of widespread promotion of its services. Equity Capital for Industry, set up three years ago to fill

another supposed gap in industrial needs has barely got going.

Apart from the scheme for a National Investment Bank the final Wilson report is not expected to dwell in detail on the specific financial problems of small businesses. These were fully covered in the special report "The Financing of Small Firms," which the committee published in March last year.

In the main, the report concluded, the financial institutions vying finance for small business did a fairly good job of promises. The clearing banks might relax their requirements for security rather more and might put themselves in a better position to advise less experienced businessmen on general problems, but overall the report found no bias against small businesses except that of commercial prudence.

### Concessions

The report did recommend, however, that the City could help provide equity finance for smaller unquoted companies—one area where demand seems to outstrip supply—through specially created Small Firms Investment Companies.

These would be quoted investment trusts designed to take share stakes in unquoted companies. Special tax concessions could be allowed to investors in SFICs. It was hoped, to offset the disadvantages of the high risk burden they would have to carry.

So far the suggestion has not been taken up in the City. To start with the sort of vehicle envisaged could not obtain a Stock Exchange listing until it had established at least a five-year track record and met the Exchange's tight requirements for tangible assets. This might prove well-nigh impossible for a SFIC which, by definition, would have a high proportion of assets with negligible or subjective value.

This does not mean that the Stock Exchange has not itself succumbed to the growing political pressure to be seen to be concerned with small firms and their capital needs.

It has in circulation at present a set of rules for an entirely new market for unlisted securities (USM) to replace its twilight trading zone under which specific transactions in made through the market under unquoted companies may be Rule 183(2).

Briefly, the proposed new rules would allow companies to join the USM after a track record of only two or three years rather than the five laid down for listed companies. The Stock Exchange would waive some of its charges for them and demand simpler details of performance and prospects thus reducing the cost of flotation. A minimum of 15 per cent of the company's equity would have to be offered to the public compared with the 25 per cent listed companies must offer.

Companies in the USM, the Stock Exchange stresses, would not be listed and investors would need to take full note of the extra risk involved. But their performance would be monitored and they would have to comply with most of the Stock Exchange's rules on disclosure which would make them much less shadowy than the present 183(2) companies which the Stock Exchange does not vet at all.

Meanwhile, the City institutions are continuously increasing their equity investment portfolios by individual tailor-made deals with private companies.

Industrial and Commercial Finance Corporation (ICFC), established by the Bank of England and the Clearing Banks, still takes the lead in this area and markets its services with a degree of aggressiveness which some entrepreneurs find surprising. ICFC's experience with start-ups, a third of which have failed and only 44 per cent of which are firmly established has deterred many institutions from similar programmes.

However, a number of venture and development capital companies do exist and appear to be flourishing. They range from joint ventures such as

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CONTINUED ON NEXT PAGE



## FINANCE FOR SMALL COMPANIES II

## How big companies can aid small ones

ONE OF the more dramatic developments in industry during the past two years has been the sudden surge of interest shown by large companies in helping small businesses.

Some individual companies have launched their own initiatives, but many more have joined together in local trusts and agencies to channel managerial and other expertise.

On the surface, these developments initially looked as if they might develop merely into an exercise in corporate responsibility, with large companies parading their social conscience in carefully controlled, publicity-oriented campaigns. Many of the companies attracted were those often associated with "dogood" type of works, and the problems of high unemployment and inner city decline seemed natural targets for their caring attention.

It is now clear however that the motives of most (but not all) of those concerned is much more hard-headed and commercial. As a result, companies which initially kept clear are now taking a keen interest, particularly if they want to help develop an area where their own businesses are being run down and men are being declared redundant.

But while companies are prepared to spend money helping solve small businessmen's problems, they are not usually prepared to invest their own funds in the businesses. The only private sector exception to this is Pilkington, which is subscribing £1.4m to a small business venture capital fund which it has set up to reinvigorate the industrial base of its home area in the north-west. In the public

sector, BSC Industry invests in small projects to help steel closure areas.

Pilkington, along with BSC Industry, has been one of the pacemakers in providing help for small firms. But it was Shell UK which was primarily responsible for generating a lot of initial interest in different parts of the country about two years ago. Now companies involved include BP, ICI, British Oxygen, GEC, IBM, Cadbury, Schweppes, Delta Metal, the Birmingham Post and Mail, R. M. Douglas Construction, GKN, and Lucas Industries. Banks and financial institutions such as Barclays, National Westminster, the Midland and the Industrial and Commercial Finance Corporation, have also joined some of the joint agencies.

## Three areas

Broadly the help that companies provide falls into three main areas. First, like Shell, they can organise projects such as business competitions and research reports which help generate interest and knowledge.

Secondly, they can offer general managerial aid to businessmen, or can help to finance and staff some of the joint trusts and agencies. Thirdly they can use their own specialists to provide technical help to small businessmen facing problems developing their products. (In addition they can spin off unwanted product ranges or subsidiaries as self-contained small businesses, as is explained in the article as management buy outs.

ICI was another of the first companies to become interested

in providing help, mainly because it has had to slim down its workforce but does not believe in forced redundancies. It has therefore tried to ease people into voluntary redundancy and early retirement by helping to create new jobs. In areas such as the north-west and north-east it has set up resettlement groups and has joined forces with local authorities and other organisations and companies to foster potentially viable new businesses. It has found that a handful of employees out of every hundred or so have been interested in starting up on their own, normally in service and consultancy businesses rather than manufacturing.

The best known of the joint agencies and trusts is the London Enterprise Agency which was created early last year by nine large companies and banks, plus the London Chamber of Commerce. Since then large companies have combined with Chambers of Commerce, and sometimes local authorities, in various other centres such as Manchester, Birmingham, Leeds and Bristol to set up similar ventures.

One of the first to be set up, before the London Agency was the St. Helens Trust which was formed in July 1978 with the primary aim of tackling unemployment on a long term basis. It aims to select entrepreneurs, rather than products — "The starting point for the Trust activity is the individual with the idea, the drive, and the energy to undertake a business venture," said a report on the Trust's early work. Clients have ranged from individual craftsmen to a quoted company, and from handicrafts to projects on

the fringe of new technology. Surprisingly, it says that it has found that people wanting to start new businesses rarely lack finance. "It is the relatively larger project needing major capital that is still-born through lack of capital." But it adds that a lack of financial advice, especially where publicly funded aid is concerned, is a serious problem. It also supports the current view of the Government that it is a lack of premises which is the key problem — and is working out ways to help.

The main work of the London Agency has been helping small businesses with a wide range of problems, using managerial resources of its nine backers. Together with the Industrial and Commercial Finance Corporation, its two clearing banks — Barclays and the Midland — have been specially interested that they do not offer special terms to the Agency's clients. They have therefore mainly contributed by helping the headquarters work. Other companies have been more involved in providing help direct to small companies.

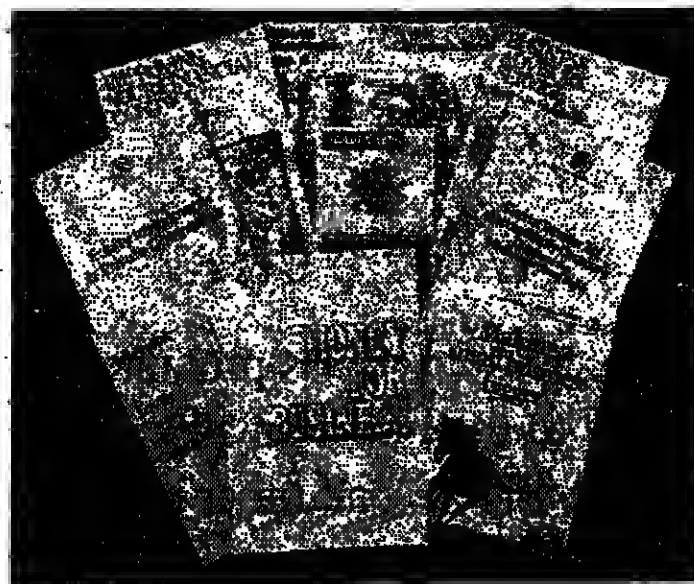
Some 40 cases were handled in the first nine months, ranging from helping a small plastics company to tackle a stock control problem with organis-

tion and methods experts, to enable a theatre lighting manufacturer to solve technical problems and so find a financial hacker.

The large companies in London and elsewhere have found that a by-product of giving the help is that the people they send out to the small businesses gain valuable experience by being exposed to a type of operation which they would never encounter in their normal work. There is, therefore, a potentially useful training element, although there is also a problem that the people involved find it difficult to adapt usefully to life in a small concern.

Not unnaturally, all these activities are sometimes distrusted and resented by small businessmen who value their independence and do not want to be forced or inveigled into accepting the help and influence of other people. Small businessmen would also say that the best way for large companies to help would be to pay bills on time and to show some sympathy with liquidity problems. The larger companies' initiatives are however helping businesses survive, and maybe even thrive, through lean economic times.

John Elliott



Some of the publications available offering financial advice for the businessman

Despite its aversion to providing direct State aid for industry, the Government has kept two sources of help for small businesses in being. One is the Department of Industry's counselling service and the other is the National Enterprise Board.

## Advice is available from experts

A SMALL local businessman is unsure about where he can look for funds other than his local clearing bank. Another cannot decide whether he should expand his business within existing premises or look for an entirely new location. Yet another is uncertain whether he should even be considering expanding or whether he should close down his business.

These are the sort of questions which are among the day-to-day problems increasingly being considered by counsellors attached to the Department of Industry's Small Firms Service.

The counselling service was first established, in pilot form, in 1978 in the South-West region, where there is a broad range of service, manufacturing and agricultural businesses. Counsellors were (and still are) sought by a variety of means, including advertising and by recommendation.

Their backgrounds need to be in medium- and small-scale businesses, often as owners of their own companies. Many are retired or semi-retired and have not only a broad knowledge of their own hut but can call upon experts to provide specific help and information.

Since 1978, the service has been extended throughout the UK, being operated through the DoI in England, and through the respective Development Agencies in Scotland and Wales. Today, there are 130 counsellors, each of whom is paid £20 for each day of counselling, plus expenses. A recent Parliamentary answer disclosed that, in 1978-79, the counselling service cost £800,000. The 1979-80 figure will clearly be higher since they will include figures for the last two regional services introduced.

It is difficult to assess the full impact of the service since more time probably needs to be given

before a comparative picture can be established. So far, more than 6,000 cases have been dealt with by counsellors, who may often have more than one session with each businessman who has sought help.

The service is broadening its scope all the time. Workshops and forums which initially were held only in major cities and towns are now being run increasingly in smaller towns as well. At these sessions, any local businessman can attend, ask questions and seek advice.

## On the spot

Often, they find that their query can be dealt with on the spot, but many also are taken a stage further with individual counselling sessions at the local small firms centre, or even at the businessman's own premises.

The trend has been for around 78 per cent of inquiries to come from service, industry, and commerce. Eighty per cent of businesses concerned employed up to 25 people, with a very high proportion of these in fact employing ten people or less — thus highlighting the extent to which the service is actually reaching "small" firms.

A point made recently by a counsellor at a local forum was that a large number who believed they had a financial problem were under a misconception. Instead, they often could solve their difficulty by reorganising, with the counsellor, their difficulty and subsequently concluding that, say, they had a production or market difficulty which could be resolved within existing financial resources.

The most recent innovation in the service is the tie-up by the Eastern region with the Post Office Superannuation Fund to provide finance to small firms. The finance is

available by way of equity, plus loan — the interest rate on which is less than market rate.

More than 100 inquiries have been received in this region. In the initial analysis by the counsellors, the majority have been rejected, not five have been processed by the fund itself. Of these two have been approved in principle, two are still awaiting a decision, and one has been rejected.

Although no sums are being disclosed by the pension fund, it is believed that the amounts involved where the two deals have been agreed in principle are between £80,000 and £80,000 — which is perhaps a bit higher than many initially expected from the scheme.

A further fine investment proposition is now in the pipeline. The scheme is for the pension fund, a pilot project which will be assessed after one year's operation. One of the factors which prompted the fund to set up the project was to establish whether, in fact, a need for this type of funding actually existed.

According to Mr. Quarantano, head of the Post Office fund, the need has already been established to his satisfaction. But in the eventual determination of how successful the operation is consideration will have to be given to whether there are major administration problems.

As Mr. Quarantano points out, the assessment of a £50,000 project is time consuming and may require more effort than a £25m investment proposition where a major appraisal has been done by a merchant bank even before the IPO fund is approached.

Meanwhile, it is likely that a link between the counselling service and another pension fund will be announced fairly soon.

Nicholas Leslie

## The more I solve other people's space problems, Mr Wagstaff, the worse I make my own!

**'How come, Mr Clark?'**  
**'Well, we're doing all the open-plan office fittings for Greening Electronics' new factory. Then we're designing and fitting a complete new filing system for the Memorial Hospital. And we're doing all the office furnishings for the new insurance block in King Street. Not to speak of fitting out Jenny James' new project on the side!'**

**'Sounds as though you're doing fine.'**

**'Maybe. But we're so busy we're running out of warehouse space. It's a real headache I can tell you.'**

**'Well, according to our records your father had the same headache several times in the forty odd years Clark & Son have been banking with us. He survived all right, so I'm sure you will! But didn't you have your eye on those premises George Field recommended?'**

**'Turned out too expensive, I'm afraid. Would've suited me down to the ground — and into the ground! I've learned to watch my cash flow like a hawk, thanks to you.'**

**'Well I think we may be able to ease your cash flow situation by solving your other space problem.'**

**'Which one's that, Mr Wagstaff?'**

**'Breathing space, Mr Clark. Time to pay for your new premises in other words. I think that's what you need. Why not call in at the bank and let's talk about it.'**



Wagstaff looked for a way out.

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circumstances and Williams & Glyn's will be very glad to suggest the best method of providing finance to suit any particular case.

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## The NEB: Limited help on offer

PROVIDING HELP for small businesses, especially in areas of high unemployment, is one of the primary tasks given to the National Enterprise Board by the Government. This is being confirmed in the Industry Bill now before Parliament and in operating guidelines which will soon be finalised.

The NEB's overall role in industry has been drastically cut back, as has its budget, and its main operating areas in the future are to be assisting companies in the high technology field, helping in the regions, and providing limited finance for small businesses.

All these ventures will have to be conducted in partnership with the private sector in order to fit in with the Bill and guidelines, and the NEB will also be expected to sell its interest in companies once they have become sufficiently viable to survive on their own.

In practice, this formalises broad policies that have been followed by the NEB for the past couple of years, apart from the requirement to sell wherever possible. In the past the NEB has sometimes sold companies, but it has also held on to profitable concerns in order to help fund its loss-making operations.

Since it was set up in 1976, the NEB has made about 50 equity and loan investments averaging about £300,000 each in small businesses. All have been in manufacturing industry, and the number of employees has ranged from seven to 250.

There have been several businesses with about 40 employees. There has also been a considerable number of companies with between 10 and 250 employees, mainly businesses seeking fresh investment to finance expansion into specialised premises.

About a dozen of these investments have now been disposed of. Some have been sold as profitable, or potentially profitable, enterprises. But several have been closed down because of poor performance. The loss-making closures include J. & P. Engineering, which made medical scanners; TRE, which made liquefied gas cylinders; Vicort, which manufactured sports equipment; and Pakmet and Mayflower Packaging, both of which produced packaging machinery.

One example of the NEB successfully helping a company move into new premises is Sandiacre Electronics of Nottingham, which now employs 45 people and makes control systems. Started 10 years ago, it moved around various industrial estate premises but then needed its own specialised factory. Its bank and the ICFP were already heavily involved, and another backer was required for the bank to continue its lending to cover new buildings. The NEB has now invested £165,000, and the company last year made a profit of £30,000 on sales of £1.3m.

Another example is Hydraroll which makes equipment for roll-on loading of commercial vehicles. Helped by a £125,000 investment from the NEB, it has set up a new factory in Anglesey and last year made £22,000 profits on sales of £200,000, employing about 10 people.

The NEB's regional organisations have also set up two specialist subsidiaries to help small businesses, one of which has been something of a success while the other has been a failure. The first is Sapling Enterprise, which the NEB has set up jointly with Collinson Grant Associates, a Manchester

based firm of management consultants. It will provide financial and managerial advice to any small business willing to accept a £50,000 investment from the NEB, thus helping to solve managerial as well as financial problems. So far, it has been responsible for three investments.

The second investment is Newtown Securities (Northern) which was set up in 1978, jointly by the Midland Bank and the NEB to make loans to small companies. It has only made two investments and the advantages of merging the local knowledge of High Street bank managers with the funds of both the bank and the NEB do not seem to have materialised. The NEB is likely to close the project down soon, handing over two investments to the Midland which has expanded its own more general small firms' work.

Other financial institutions with which the NEB has linked up in specific projects include the ICFP, Barclays Bank, the Small Business Capital Fund, Norton Warburg, and Touche Remnant.

In the past year or so, the NEB has been investing a total of about £5m annually in small businesses and it is likely to continue to do so under its new budgetary arrangements which are expected to provide about £10m a year for its combined regional and small firms' role. It has had fewer inquiries about possible projects since last year's general election cast doubt over its future. But its new Board is now finalising its plan for future work and will be looking for fresh ventures in partnership with the private sector.

John Elliott

## Role of the City

CONTINUED FROM PREVIOUS PAGE

Moracrest, jointly owned by the Prudential British Gas pension funds and the Midland Bank, in-house organisations within the pension funds and merchant banks, in particular.

The National Coal Board pension funds have perhaps the largest direct investment in development capital situations. Set up in 1974 their industrial finance division, under Mr. Lionel Anthony, the deputy director-general, has £75m invested directly in industry.

In common with the other institutions, the NCB funds admit that investments in very small companies, or individual investments below a certain level, are difficult to administer, absorb too much management time and need much closer

relationships than the funds can offer.

One solution to this problem is the establishment of joint venture companies funded by the pension funds but managed by specialist venture capital executives.

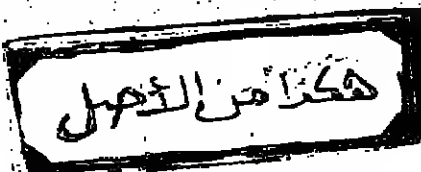
The NCB funds, however, are only a part of the patchwork of companies and schemes developed by City institutions which offer loan, equity and development capital to small businesses in a variety of forms.

Sir Harold Wilson's report on small businesses almost certainly hit the nail on the head when it questioned whether the problem was not one of supply but of information about the supply of finance. Sir Gordon Richardson, Governor of the

Bank of England, expressed much the same view when he said: "I am puzzled by the apparent lack of financial inquisitiveness of a number of would-be entrepreneurs."

For this reason, the Bank of England and the City Communications Centre in 1978 published a guide to private and public sector sources of finance, called "Money for Business". More than 200,000 copies of this new edition should be published this summer. The guide will include a revised directory of the City's and Government's institutions involved in industrial finance and will be available for £2 from the Bank and the Centre.

Christine Moor





# Clearing banks wary of loan guarantee schemes

ONE OF the key questions facing the Government in developing its policy towards small companies is whether there is a need for a clearing bank loan guarantee scheme—and if so, what form it should take.

The clearing banks—traditionally the main source of finance for the small company—have been quick to respond to criticisms that they have failed to do enough for this sector of the economy with an increasingly sophisticated package of financial services for the small businessman. They have, however, treated the proposal for a State-backed loan guarantee scheme with more than a little caution.

On the other hand, some organisations representing small companies see the setting up of some form of loan guarantee scheme as essential, if the problems caused by what they argue is an over-cautious bank lending policy are to be overcome. The idea of a clearing bank loan guarantee scheme is not new. It has, however, been the subject of more serious debate and discussion during the last few years.

In particular, the interim report from the Wilson Committee, gave the debate a new impetus by recommending that a State-backed guarantee scheme, with a limited subsidy element and some part of the risk retained by the banks, should be set up on an experimental basis as soon as possible.

Since the interim report was published last year specific proposals have been put forward by bodies like the Small Business Bureau and the Union of Independent Companies.

But since the previous Government's attempts to persuade the clearing banks to set up a scheme by themselves came to nothing, it is perhaps not surprising that the banks are treading cautiously.

The banks remain unconvinced that there is a need for a guarantee scheme although they accept that the provision of security against a loan can be a difficult task for the small businessman.

They also have reservations about whether loan capital is appropriate "start-up" finance and are unsure about how the cost of bearing the "risk pre-

mium" in any guarantee scheme should be shared. In addition, they fear that despite the obvious advantages of a guarantee scheme to the small company, "ver-generous lending" associated with such a scheme, could create its own problems, leading to further criticism of the banks.

Nevertheless, the Government has completely rejected the case for a loan guarantee scheme and the clearing banks themselves are "investigating the merits of such a scheme."

Some of the clearing banks are also involved in pilot projects. One of the most interesting projects was launched last year by the Welsh Development Agency, initially in conjunction with National Westminster Bank and subsequently extended to involve Barclays and Lloyds banks.

Under the scheme, the agency agreed to guarantee bank loans of up to £50,000 over ten years following an investigation if the applicant "lacked the security the bank would normally expect or his track record in business was insufficient." Loans were to be provided at the normal bank loan interest rates and the Agency was to charge a commitment fee of 1 per cent per annum flat.

However, agency blames the difficulties on a "misunder-

standing about the purpose of the scheme"—which was primarily designed to aid small companies with cash flow problems by providing short term loans.

## Sceptical

The Government is expected to review the workings of the WDA scheme before deciding on the shape of any guarantee scheme it might propose. The banks, for their part, view the scheme as too limited to draw any definite conclusion. At this stage they remain sceptical but unwilling to rule out the possibility of a State backed scheme altogether.

If the banks have shown a lack of enthusiasm for innovation in the field of guarantee schemes they have been quick to respond to other criticisms. Business advisory services, special loan packages and small equity schemes are now among an array of financial services on offer to the small businessman by the High Street bank manager.

Undoubtedly, some of the schemes which have found their way into bank counter-top brochures represent little more than the expert re-packaging of old ideas in an attractive way. Nevertheless, the range of special schemes is impressive—if not bewildering—and it

does give the impression, at least, that the clearing banks really do care about the small company.

The banks do, in fact, claim they are doing more for the small businessman and by way of evidence NatWest, for example, says that the take-up of its Business Development Loans increased by 80 per cent last year. Loans outstanding under this scheme now total £350m.

In common with similar medium-term loan schemes run by other banks NatWest has held down interest rates on the loans at a time when other interest rates have soared.

Last year NatWest extended the BDL scheme to cover repayments over 10 years—a move reflecting a major trend among the banks to lend longer.

Among the more significant developments are recent moves among the major clearers to break with banking tradition and segment bank lending and attempts by the banks to integrate themselves more effectively into the small business community.

Lloyds Bank, for example, has recently completed a 10-month series of 50 seminars across the country on the theme of "How to Build a Better Business." The seminars, attended by both local business-

men and bankers, were designed to provide an "information exchange" on how Lloyds Bank could help small companies develop. The results of the seminars are now being analysed.

Lloyds, which last year followed the other major clearers by announcing two new small firm loan schemes, the Asset and Enterprise Loan schemes, last month appointed Mr. John Kirkwood, a local branch manager, to be the bank's small business finance adviser.

## Crash course

His task will be to advise the Bank on the development of the existing range of services tailored to the need of small enterprise and on the design of new products to meet the needs of small firms. Barclays Bank has followed up perhaps the most striking initiative—sending 2,000 of its 3,000 bank managers on a one-week crash course in basic management accounting run by the accountants, Arthur Anderson—with systematic training of its managers in how to look at small businesses from a more sophisticated fashion.

Barclays also runs a Business Advisory Service for small firms. The service, which consists usually of a consultant

visiting a small company and writing a report on its systems' needs, is free to the bank's customers. So far, some 6,000 full reports have been completed.

Earlier this month, Barclays became the first clearing bank to support the Government's drive to encourage private sector finance to help build factory units in the Assisted Areas. As a result, Barclays is to invest £5m in nursery units built by the English Industrial Estates Corporation.

However, despite these initiatives it is the Midland Bank which is generally accepted as having led the field in doing things for the small company. Last year, Midland set up the Independent Business Banking Unit to co-ordinate Midland Bank Group's existing services to small businesses and to act as a focal point for research into and development of further services.

One of the unit's first tasks was to administer the first 20-year loans, introduced last year by the bank. The long-term loan scheme provides loans ranging from £20,000 to £500,000 over periods ranging from 10 to 20 years and is designed to provide funds for independent businesses "which due to limitation of size, have no direct access to the capital market."

Midland claim that there has already been a good demand for this form of extended loan fixed or floating interest rate charge.

Although some of the banks, particularly Lloyds, have steered clear of becoming involved in equity financing preferring instead to direct companies to the Industrial and Commercial Finance Corporation in which the clearers are the major shareholders, Midland has also pioneered this field of banking activity at the small company.

Midland is involved in a series of companies willing to take a minority equity stake in small businesses. The best-known is Moracrest, jointly owned with the British Gas pension fund and Prudential Assurance, and Meritor, jointly owned with the Rolls-Royce pension fund.

However, the bank's experience of equity finance funding has been disappointing. Midland is thought to have invested less than £20m in this way in fewer than 50 projects. It appears, therefore, that the small businessman prefers to borrow money—despite his criticisms of bank lending policy—rather than sell an equity stake in his company.

Paul Taylor

## Management buy-outs

HOW CAN a loss-making company immediately become profitable simply by a change in its ownership? The answer is a management buy-out. The reasoning behind this step may sound obscure, but it is, in fact, quite simple and goes like this: a subsidiary within a group of companies is incurring losses and its parent company, feeling that the subsidiary does not quite fit the group pattern, decides to sell it. The subsidiary management are given the option to buy the company. They accept, raise a small part of the purchase price themselves and the larger part through borrowings.

On completion of the deal, certain administrative functions formerly handled by the group, such as computerised auditing, for example—are taken over by the newly-independent company, lifting a hefty financial group service charge from its shoulders. In the process the former subsidiary moves back into profit.

This is a simplistic—though not entirely theoretical—example of what can be achieved with management buy-outs. But it does provide an illustration of the scope available when management buy-outs of their companies—scope which increasingly is being recognised not only by subsidiary company managements themselves and the senior directors of industrial groups, but also by those financing organisations which are called upon to put up the bulk of the purchase price in such deals.

The increasing pre-occupation with management buy-outs is due to a variety of factors. Among these is the greater "sniff" given to "doing your own thing" in business, together with a realisation that this method of dividing up a small company from a group offers one of the best alternatives to an industrial group which wishes to partially deconglomerate.

There is probably substantial potential for buy-outs among larger companies which have endeavoured to diversify into new areas through acquisitions, but which have subsequently found that their offspring really do not fit into the structure of things as well as they might. Equally, it might be that a main board does not see sufficient growth potential in a subsidiary—even if it has some synergy with the rest of group activities—and wishes to release the capital tied up in it to invest elsewhere.

## Attractive

One of the advantages of the second category is that, from the subsidiary management's point of view it can rely to a considerable degree on continuing to supply some form of service to its former parent company, thus giving it a good base from which to embark as an independent concern. As such, it is a much more attractive investment opportunity for the financing organisation which is putting up the major part of the purchase money.

Among the best credentials for a management buy-out are not only that the company be a subsidiary within a group to which it is providing some form of service of product, but that a high degree of autonomy should also be operating with which makes for a much smoother split from the parent. There is, however, a fair chance that, being in a group, it may suffer from some management weakness, be it financial, marketing or otherwise, due to some functions being banded on a group basis. An injection of such management expertise would be a bigger risk than banks normally are willing to take. Management buy-outs are, in fact, considered to be relatively safe.

Nicholas Leslie

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## FINANCE FOR SMALL COMPANIES IV

# Hire purchase and leasing help provide assets

INFLATION and high interest charges have made the provision of capital assets by outright purchase very expensive for smaller companies in recent years. This is at least so for those which need to borrow a substantial proportion of their working capital. After all, the gross profit return on investment in new plant has to be considerable if it has to cover 20 per cent or more for interest before direct operating costs, depreciation, overheads, capital pay-back and reasonable risk return.

Hire purchase and leasing finance have therefore supplied a growing need, especially for the smaller company bearing the brunt of the cash control of their larger customers. The corporate treasurer of the large company can increase cash resources, or achieve significant savings, by operating to the limit of suppliers' credit.

HP was the acquisition method most commonly used up to, say, the early 1970s because it had several attractions. Most obviously, the cost of purchase was spread over a period of, usually, three or more years. This enables the purchaser/user to put the whole of the asset

to productive use while limiting immediate outlay. The company can thus—subject to the limits in financing cost, a known factor when entering into the contract—improve its return and cash-flow in the early years. In inflationary times it is, of course, favourable.

which is so priceless to the smaller company fighting to control working capital. In the past it is probable also that the tax advantage lay with hire purchase. In the days of the investment allowance, a one-for-all allowance given on first acquisition and use which did not write down the asset for tax purposes, tax allowances were available on the full purchase cost of a qualifying asset at the outset. Similar considerations still apply to the 100 per cent first-year allowance available on most plant except motor cars and buildings.

It is motor-cars and containers, in particular, which have dynamised the market for leasing. The main container users, shipping companies, have over-ruled the tax allowances on smaller items of their assets because they have enjoyed such large allowances on the free depreciation of ships as to make

any further allowances unnecessary. Leasing provided the perfect answer. The lessor can obtain the tax allowance and is therefore able to quote competitive leasing terms which effectively utilise the allowances the lessee cannot otherwise use.

Shipping and container companies hardly qualify as smaller companies, but the principles established on the container leasing boom were soon followed by a decision of the Special Commissioners of Income Tax that leased motor-cars could also attract the 100 per cent first-year allowances in the hands of a lessor because, to the lessor, they were plant.

## Fringe benefits

Just as the first push towards containerisation had boosted the leasing trade, therefore, this decision—not widely known at first, because such decisions of the "specials" are not reported—spread like a bushfire. Its importance took on a whole new meaning in the days of pay pauses, freezes, phases and restraints. Fringe benefits were with us; and the second biggest of them all (after pensions) were cars. These were not only

provided for the directors as hitherto, but for senior managers, middle managers, junior managers, directors' wives, senior managers' wives, and so on.

Here lay a difficult problem for Government. Pensions range from good to excellent for the Government's and local authorities' own employees, but are only patchily available in the private sector. Cars are the reverse: you have to be a very senior civil servant to enjoy occasional use of one, while approximately 70 per cent of all new cars are reckoned to be bought by business. A great many of these must be leased.

Action has now followed. First, there was some tightening up of the more outrageous uses of leasing which were providing large tax-free benefits and circumventing distribution tax legislation for close companies.

Next, there was a restriction of the 100 per cent FYA for leased cars. This, however, has had only a marginal effect on the cost of such leasing and was in any case avoidable according to one method of calculating the allowances (not as yet, concealed by the Inland Revenue and now

stopped by clause 64 of the Finance Bill). The latest instalment has been a whole series of fiscal measures in the Chancellor's March Budget.

The important provision in the recently published Finance Bill are contained in clauses 60 to 70. These are, as might be expected, detailed and complex. Some detail may well be altered in the course of the Bill's passage. The important change requires that to qualify for 100 per cent FYA, the asset must be used for a qualifying purpose.

Qualifying purpose can be demonstrated if the lessee would have been able to claim 100 per cent FYA had he bought it himself. He must also be conducting a trade in the UK. The only other circumstance in which the FYA is granted to the lessor covers cases of short-term rentals.

Effectively, these provisions seem designed to discourage public bodies such as local and area health authorities from the leasing market which many have been increasingly using to avoid the impact of expenditure reductions on capital budgets. (One reason why local rates go

up inexorably, despite "cuts"?)

All this would appear to leave the smaller company lessee in a trading operation relatively unaffected. Indeed, that is the intention. Other fiscal measures will reduce the attraction of leasing for the private individual who has been using it, and his wife, in a nice little deferral of some of the recent years' highest personal tax bills.

However, this source of leasing finance will probably be comfortably absorbed by the big banks, and their finance subsidiaries, who would much rather lend money in this way. They receive the capital allowances against their profits; they make better returns than on overdrafts and control the asset legally without all the problems of debentures, mortgages and other charges.

## Misery

This is the rub. The accountancy bodies have been worrying about "off balance sheet finance," as it is called. The problem was highlighted by the crash of Court Line, the travel airline operators. Subsequently, the operator's jet aircraft, widely seen in the company

livery, were found to be owned by some one else. The result, as Micawber said, was misery for the creditors.

The accountants' answer, which is far from popular in many quarters, is to show the leased assets in the lessee's balance sheet as well as the outstanding liability. This applies to financial leases which are for a greater proportion of the working life of the asset. The Inland Revenue have said that the tax treatment would accord with the legal documents rather than with the accounting treatment in this instance.

There is a conceptual difficulty for many people in bringing into balance sheets figures representing assets which are not owned by the business. On the other side, this may be seen as giving a greater degree of realism to the accounts because they will then show all the assets in use.

There are no general rules to compare the comparative costs of buying outright, leasing or HP. It is almost certainly true that a company with its own cash resources would find it cheaper to buy outright than use either of the other methods.

But this begs the question of the alternative uses to which cash might be put. Comparing HP and leasing will depend on cash-flow projections for the point of investment. Those cash-flow calculations must incorporate assumptions about general levels of interest, taxation rates, allowances and payment dates, as well as assumptions specific to the users business such as actual sources and costs of finance. At least the CCAB proposals may make the effect on balance sheets more comparable.

In the meantime, while money is tight and expensive and profits hard to come by, financing re-equipment by hire purchase and leasing seems to have long-term growth prospects. These methods bring together in the market those who have the resources with those who have a need to use them in a way which can be less fraught with friction than floating debt.

David Tallon

The author is a partner in the London office of Dearden Farrow, chartered accountants.

# Budget aimed to improve climate for 'having a go'

ON THE face of it, one of the best items of news recently for the venture capital market was the Budget proposal in March for personal losses incurred on investments in small private companies to be allowable against income tax. Over the past couple of years, as arguments about the need for lack of terms for venture capital have raged on there has often been speculation over first, whether such a measure would be introduced—even by a Conservative Government—and, second, how effective it would be.

Given the dearth of information that exists on how many new company start-ups each year are backed by private rather than institutional money, it seems unlikely that any measurable effects of the proposal will appear in the short term.

However, what the Chancellor's move has probably done, first and foremost, is to improve—just a little—the climate for start-ups, which is hopefully a step forward. It has often been said that the better regard which exists in America for those prepared to "have a go" is a feature which differentiates that country from the UK, not only in terms of the public attitude but also the outlook of Government.

Availability of venture capital—that is start-up "risk" finance as against second-stage "development" capital—has for years been more widely available in the U.S. than in the UK, although in the early 1970s there was a substantial weeding out of sources of such money in the States—after the heady days of the 1960s—when the market turned down, and venture capitalism suffered financial losses and the disappearance of a number of

venture capital companies. However, while the venture capital market in the U.S. subsequently recovered, its nature changed and, these days, they have become much more selective. For the most part they are very substantial growth potential technology areas of electronics.

The market has also been changing on the Continent, certainly among the handful of institutionally-backed venture capitalists which three or four years ago were making a concerted effort to build up portfolios of investments in new companies across a reasonably wide spread of activities, though with leanings towards low rather than high technology-based concerns. Now, it appears that within the last year or so these venture capitalists in France, Germany and Holland have been through a period of re-thinking their strategy and retrenchment. Meanwhile, in the UK, there

has, if anything, been a broadening of the venture capital field—although, to be strictly accurate, what seems more likely is that some long-established and more recently set up development capital companies have been showing a willingness to back small companies with second stage financing at an earlier point than they were previously prepared to contemplate and backed with less security than previously demanded.

## U.S. expertise

One of the most recent developments has been the setting up by Pilkington Brothers, Britain's largest glassmakers, of a venture capital company called Rainford Venture Capital. Pilkington has put up nearly £1.4m of the £2m that Rainford initially has available for investment. Prudential Assurance has provided lenn and Industrial and Com-

mmercial Finance Corporation each putting in £50,000.

Initially, investments will be made in small companies in the St. Helen's area in Lancashire where Pilkington is based.

Significantly, Pilkington turned to the U.S. for management expertise. Venture Founders, a new UK offshoot of Venture Founders Corporation, of the U.S., is the management company. Its managing director is Brian Haslett, who although British born has spent many years in venture capitalism in the U.S.

Rainford will, though, be very selective with its investments, spending a lot of time on checking out the potential of each project and staying in close contact when the investment has been made. Such an approach is believed by many in the UK to be too expensive an approach, and one prominent UK financier was prompted to describe Rainford as "an interesting experiment."

Many of the UK's clearing banks—which already provide the bulk of business funding through overdraft facilities—

have become more active in fashioning packages that, if not start-up capital, may provide small companies with longer-term money than might previously have been available.

## Willingness

Institutions such as pension funds and investment trusts have also showed greater willingness to cater for the needs of small embryonic companies. An interesting development on this front was the Post Office Superannuation Fund joining with the Eastern Region of the Department of Industry's Small Firms Counselling Service last year to make funds available. Two investments have either been agreed in principle, or are on the point of being sanctioned, and similar link-ups are being organised in other regions.

But the actual numbers of investments being made by these institutions are still relatively small, certainly where start-up venture capital is concerned.

The bulk of early-stage risk financing is still supplied by

just two institutions—Industrial and Commercial Finance Corporation and its subsidiary, Technical Development Capital, and the National Research Development Corporation.

ICFC, through its network of offices around the country, last year funded over 350 start-ups, (though that can mean a business with a short track record) and supplied many more with second-stage development capital. Though it is occasionally criticised for turning down what are believed by some observers to be good investments, ICFC believes that its endeavours never to reject what it sees as a worthwhile proposition. It has certainly adjusted itself in more recent years, no doubt due partly to pressure from competing institutions like the NEDC, to meet the needs of small businessmen by having a far broader spread of expertise in its regional offices. Whereas at one time the majority of executives would be accountants, now their disciplines take in business graduates, engineers and others.

For the most part, ICFC invests by way of equity—though it doesn't ask for majority stakes, usually aiming to seek up to around the 30 per cent mark—together with some form of loan.

The NEDC, on the other hand, operates on a somewhat different basis, since it invests essentially in projects which represent some form of technical and innovative advancement. This may mean it will provide funds, may be equity and loan, to a new company but it might just as easily be backing a project in a larger concern.

The corporation's other means of financing is to provide funds on a step-by-step basis, with its return being based on a percentage of sales of the product being developed. The point about this method is that, if the product fails to find a market, the NEDC has to bear the loss. The company developing the unsuccessful does not have to repay such project finance.

Nicholas Leslie

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# Allowing entrepreneurs help on taxation

THE MARCH Budget was a sombre affair, in which very little was given away. A series of concessions for small businessmen was announced, however, and while the total value is estimated at only £160m in a full year, the changes represent a significant shift in direction. The new rules mean that the State is no longer going to exact the last penny in taxation from the small businessman, but will adopt a more relaxed attitude in keeping with the Tory philosophy of giving entrepreneurs elbow space in which to operate.

The key concession is in close company legislation. At the same time it becomes much easier to lend to small companies and to write off investment in them for tax purposes. The small companies' rate of corporation tax was reduced from 42 to 40 per cent and the VAT registration threshold raised from £10,000 to £13,500.

The whole concept of close companies is severely undermined in the loosening on the rules on apportionment, which have been in existence for the past 50 years. As far as trading income is concerned, apportionment—the treating of undistributed profits not needed for the maintenance or development of a company's business as if they were distributed—is abolished entirely.

While apportionment will still be applied to investment income, the threshold here is raised from £1,000 to £3,000, and in practice it should be possible to ensure that income falls into the appropriate category. The relief does not extend to estate income, however, of which 50 per cent will still have to be distributed unless it can be shown it is needed to develop the business. The reason why this concession—well, many businessmen will breathe a sigh of relief—is not worth more in money terms is that trading profits in recent years have anyway been reduced by the effects of first-year allowances and stock relief.

Investment in the share capital of close companies will be encouraged by the relaxation of the rules governing tax relief for interest paid on borrowing. Provided that the investor already holds, or by reason of his investment acquires, 5 per cent of the ordinary share

capital of the company, tax relief will be available. The requirement that the borrower must also work for a greater part of his time in the company is abolished. Similarly, relief can be obtained on funds borrowed to lend on to close companies in such circumstances.

A further encouragement which will apply to equity investment in all unquoted trading companies, whether close or not, is the provision of income tax relief on share losses. The loss must have arisen either from the sale of the shares on arm's length terms, or from the liquidation of the company or as a result of a claim that the shares have become worthless. The shares themselves must have been acquired by subscription at full value. The companies must be resident in the UK, while those dealing in shares, securities, land or commodity futures are specifically excluded.

## Pensions

Another front on which the Chancellor provided help for small businessmen was on pensions. Sir Geoffrey Howe said: "It is important that the self-employed should be able, with tax assistance, to make adequate provision for their retirement." Accordingly the limits on retirement annuity relief were raised, with the normal percentage of earnings qualifying for tax relief going up from 15 to 17½ per cent and the £3,000 ceiling on the premiums for relief being abolished.

A small workshop scheme was introduced, to run from three years from the date of the Budget, in which 100 per cent first-year capital allowances for building small industrial buildings will apply, rather than the normal 50 per cent initial allowance. The allowance will also be given on the construction of industrial buildings rather than on their first letting, as was previously the practice.

Small companies will also benefit from measures that were mainly directed at big business. The main relief here concerns pre-trading expenses such as salary, establishment and utility costs which are incurred before the trade has commenced for tax purposes. These expenses were previously not allowable against a tax, but

from now on they will be treated as incurred on the first day of trading and therefore be allowable. Raising loan finance will also qualify, although the costs of raising equity capital remain disallowable, as does the cost of convertible loan stock if it can be converted within three years of issue.

Finally, small businessmen may be able to take advantage of the establishment of half-a-

dozen "enterprise zones," where there will be 100 per cent first-year capital allowances for all industrial and commercial buildings and complete relief from Development Land Tax. These tax concessions are tied to others, such as 100 per cent de-rating and abolition of all industrial development certificate procedures.

David Freud



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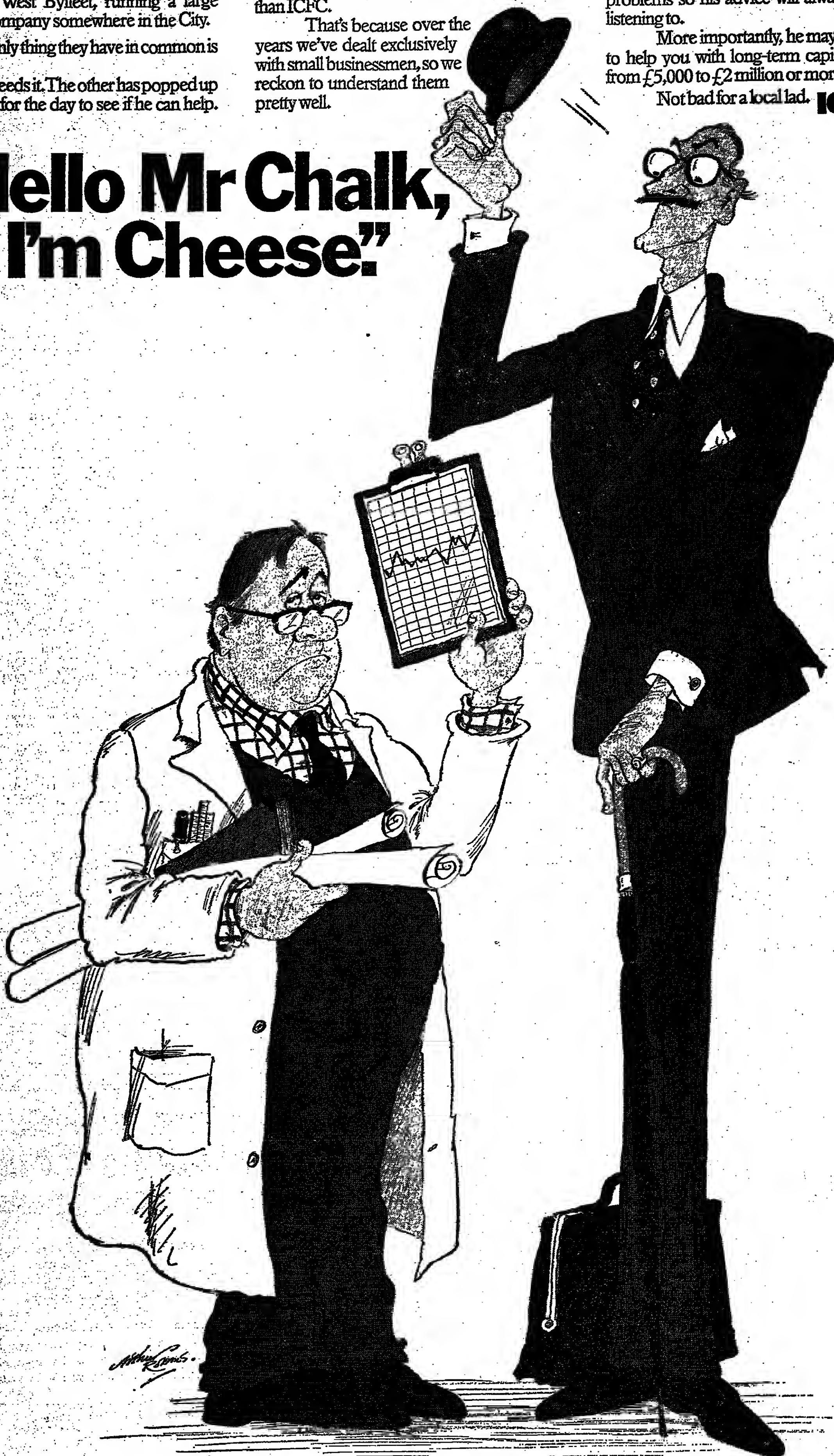
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## FINANCE FOR SMALL COMPANIES VI

Institutions are gradually filling the financing gap left by the decline of the family investor in small businesses. These articles examine three case studies of institutional help from ICFC, the NCB pension fund and the NEB—and also examine the role of the "Aunt Agatha" family benefactor.

## When potential lies in ability, not assets

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INDUSTRIAL AND Commercial Finance Corporation, a subsidiary of Finance for Industry, must be one of the major sources for small company finance. It was started shortly after World War Two and is 85 per cent owned by the English and Scottish clearing banks and 15 per cent by the Bank of England. In its time, ICFC has invested more than £600m. At present, it has a total of £300m invested in industry, represented by over 3,000 companies.

One of ICFC's recent investments, through its subsidiary, Technical Development Capital, has been a company called Logan Associates, a Henly-based operation which has matched engineering skills and computer programming ability to produce an unusual consultancy for the engineering industry.

The company was formed as a husband and wife partnership in 1974 and last year it was incorporated as a limited company.

Frank Logan obtained his engineering grounding in his father's sheet metal company. Later, he worked in a number of industrial concerns in South Africa before becoming a planning engineer for Wilmet Breddon.

There, he became increasingly interested in using computers for measuring production times in mechanical engineering. After being "head bunted" by ICL, his computer experience was broadened, but he felt the cash restraints on ICL, at that time, limited the company's ability to expand in the direction Mr. Logan was particularly interested. Thus, in 1973 he moved to the Italian subsidiary of a U.S. company, Science Management International, but he soon left to start on his own business.

Work measurement is essential in factory activities. Not only does management need to know how long each job will take, for production control, costing and estimating, but it

also needs the information for calculating wages and bonuses. The trouble with work measurement is that, while it needs skill, it is often a time consuming and boring occupation.

At the risk of oversimplifying a highly technical process, Mr. Logan's idea involves the use of drawing office's designs and, by use of computers, turn this data into a detailed manufacturing analysis—putting "technical drawing into the end product," as he describes it. The system, which he calls "Locam," will take the drawing and produce a step-by-step manufacturing process description, identifying the manual skills, equipment and time required at each stage.

By using the system, the industrial engineer can allow the computer to take over a large proportion of the clerical element of the job and the analysis is provided much faster than by manual methods.

Mr. Logan's first clients were in Italy, while the breakthrough

in the UK came with a job for GEC Machines in Rugby in 1978. Mr. Logan produced the system, installed the software, and trained 45 people at GEC in the system's operation. The fee was £85,000, spread over a year. The exercise established Mr. Logan's company in the UK. Other clients, such as Wadkin, Weir Pumps and recently, Ford, have followed.

## Nervous

Success brings its problems—and often it is a shortage of finance. While the company was adding to its list of clients, it was facing large costs for development training and installation. Mr. Logan was financially "up against it at this stage" and he approached the usual sources of finance for help. New ideas tend to make financiers nervous and here was a business based on ability, rather than hard assets which could be sold if something went wrong. Most of those Mr. Logan

approached were not interested—but not so ICFC's technical subsidiary.

Last year, ICFC put up a straight 16 per cent loan of £31,000, invested £4,000 in a 28 per cent equity stake and provided hire purchase finance on new equipment for a further £45,000. There is still another £20,000 available should Logan Associates need it.

It is obvious why ICFC was attractive for Logan Associates—it had the money and an established reputation for helping small businesses.

Why was Logan Associates attractive to ICFC? Mr. Ian Armitage of ICFC takes up the story: "Firstly, there was the man's experience, as an engineer, and as a computer consultant. Also, while the company had a short track record it still showed good profits potential. Finally, our in-house technical advisers examined the business and saw a definite place for the 'Locam' system. Demand can

only increase." With ICFC's backing, Mr. Logan sees his company moving into the U.S. market later this year and in the future there is the possibility of vertical integration so that the company will evolve "turnkey" projects.

Eventually, Frank Logan sees that there might be a case for wider ownership, but this is not seen as a short-term aim, either by Mr. Logan or ICFC which is adopting a policy of investing more in software firms. Initially, the aim for ICFC is to see the loans repaid and a dividend on the equity.

Beyond that, the financiers want to be in at the start in what they see as a fast expanding company. Last year, Logan Associates made a profit of £46,000 on a turnover of £180,000 and according to Mr. Ian Armitage, Logan Associates could double its turnover in the next couple of years.

Terry Garrett

## NCB pension fund to the rescue

IN 1974 the Ronald Lyon construction to property group collapsed and ended in the hands of Cork Gully as receivers. With it crashed Atcost, a wholly-owned subsidiary specialising in standard concrete frame buildings for industry and agriculture.

Atcost was a substantial business with a 30-year tradition. In the 1974-75 financial year it had made profits of £400,000 pre-tax on a turnover of £6m employing a staff of around 600. Its immediate problem following the collapse of its parent company was the need to repay a £250,000 inter-group loan. A number of potential buyers looked the business over but no firm offers eventuated, so the business was carried on under the supervision of the receiver.

At that point, the country-wide recession began to bite on the order book and by the 1975-76 financial year Atcost, with heavy borrowings of its own, was showing pre-tax losses of the same size as the previous year's profits.

However, the board, under Mr. Michael Stubbs, the chief executive, believed in the company's future and tried to devise schemes which would bring the company out of receivership and into the hands of the senior executives.

Given the size of its workforce and a turnover, at that time, of around £7m, Atcost could not strictly be classified as a small business, but its executives, who planned to try and take over the business themselves, certainly qualified as small businessmen. They had previously been employees without an equity stake in the business. Their own financial resources amounted to personal savings. Their route to eventual control of Atcost, therefore, is a useful case study.

From the time of the crash Atcost's financial affairs were under the direct control of Cork Gully which, as Mr. Stubbs readily admits, provided considerable support and was enthusiastic about the executives' plans. So, too, was Lombard North Central, the company's main bank creditor.

For all their support, however, no workable scheme could be devised until 1978 when Mr. Stubbs and his colleagues approached Development Capital, a private venture capital investment group, headed by Mr. Hugh Armstrong.

Mr. Armstrong put the men in touch with the National Coal Board pension funds, which had been investing directly in industry since 1974, but to date had not carried out any form of equity investment.

The pension fund took only three weeks to approve a package devised between its managers and Development Capital. Under the scheme the executives were given 52 per cent—and control—of Atcost, while the NCB funds took 42 per cent and Atcost's own pension fund bought a 6 per cent stake.

The details of the scheme were complex. The NCB funds' equity investment was to be in ordinary shares but ones which carried a preferred dividend linked to a proportion of profits over a certain level. In addition, it offered a normal fixed rate debenture. If the interest or dividend are not paid the funds have options over sufficient of the remaining equity to give them control of the company in case things go badly wrong.

## Profits up

The package proved to be the turning point of Atcost's fortunes. By September, 1977, profits of £100,000 pre tax could be seen, growing to £296,000 by 1978 and £383,000 last year. Turnover also rose from £7.7m in 1977 to £14m last year and the employee roll rose to 800.

The NCB funds continue to have a close and direct contact with the company. Dr. Peter Palmer of Development Capital is the fund's representative on the board. He reports quarterly to Mr. Lionel Anthony, the NCB's deputy director general and the head of its industrial finance division. In addition, the NCB funds meet the Atcost board about two or three times a year.

There are tentative plans for Atcost to be floated as a public company but, at present, these represent a long-term objective of the board and the NCB funds rather than an immediate programme. Meanwhile, as Mr. Stubbs says, "the relationship is marvellous," though he adds cautiously "of course we've been doing well, until now."

Growth so far has been organic, but the next phase is for a degree of diversification. The first move along these lines is the recent acquisition from its receivers of Barvis, a small, Norwich company with a staff of 70 producing specialist precast concrete structures for major buildings. Including an injection of working capital, Barvis cost Atcost £150,000 which came from Atcost's own internal resources.

Another acquisition is planned, but the cost will not be so easily met. It is likely to involve the closure of an existing factory with the loss of 60 jobs as the building stands on four acres of industrial land which could be more profitably utilised for industrial development.

At that point, life may not look as untroubled as it has done for the past two years, but meanwhile the pension funds and the new owners of Atcost describe themselves as very content with their partnership. The success so far as certainly helped to accelerate the funds' involvement with other forms of direct equity investment in smaller businessmen's dreams.

Christine Moir

## Still a role for Aunt Agatha...

AUNT AGATHA may be alive, but just how well she is open to question. There was a time when she would have been happy to lend a portion of her capital to a favourite nephew or niece in order that they might get some apparently brilliant business idea off the ground. Her reward, with a bit of good fortune, would then have been sufficient income or capital appreciation for her to see out her old age in considerable comfort.

But, these days, Aunt Agatha is essentially a term used to describe any relative, friend or acquaintance who is prepared to put up money to launch a new venture. It is highly unlikely that there are that many aunts with large amounts of unfettered capital to fund the creation of a company.

Not that it is necessary to have completely unfettered cash to invest in some ambitious scheme. Aunt Agatha could just as well pledge some of her assets to guarantee bank loans to one of her relations and this is, indeed, a method of financing that is used in the UK and, probably to a greater extent, in the U.S.

But, given the multitude of alternative, and safer, investment opportunities that have become available in the past 20 years or so—particularly with the growth of investment trusts and unit trusts and other insurance-linked schemes—it is questionable whether Auntie should in fact even be considering taking such a risky step as investing in a company start up when statistics show that as many as 80 per cent or so fail within a few years.

While the private investor in new ventures is, it appears, far from extinct, his nature has probably changed somewhat over the years. He may well have made his fortune, from starting up his own business, but rather than looking within his own family circle for likely ventures to back, he will be casting his net rather more widely.

For him, the fun is much more in finding an original product to back, rather than financing some young relative's small

engineering or retailing business. Yet, if it is originality he is looking for he will, in fact, be competing with institutional investors. For that is precisely what pension funds and other financing institutions also are looking for. Therefore, he will have to settle for something less than ideal or offer better terms or take bigger risks.

## Write off

Of course, with the absence (until the recent Budget proposal) of any means to recoup investment losses personally, the majority of "Aunt Agathas" probably do not make their investments out of private sav-

ings. Instead, the successful small businessman seeking a promising project will invest in it through his company. This way, if the investment fails, he can write the losses off.

It is an interesting point whether the proposal will, in fact, encourage more private investment in small companies. Many observers of this particular market doubt that it will, partly because they feel that those prepared to take such a risk already have the means (such as a business of their own) to do so with less personal risk.

In the past few years, as the argument about whether there is sufficient venture capital

available has taken place, it has repeatedly been argued by the institutions that it is not their job to provide the seed capital that is used to actually get a business off the ground. They maintain that, traditionally, this has been the role of the "Aunt Agatha."

Although a number of institutions have made encouraging noises about being more willing to help the small businessman to make a success of his venture, it seems unlikely that any large-scale shift in this direction will take place among the institutions. "Aunt Agatha" will always have her place.

Nicholas Leslie

The Sapling Scheme does not call for "any" say in ultimate decisions, or any influence, except by intelligent comment," says Mr. Rigby. "What I find advantageous is that discussing things with somebody outside the company, you look at things differently. We were doing this sort of thing before the NEB came in, but now it's more formalised."

If an NEB share sale were to include the Rigby holdings, "it wouldn't change us, because there are plenty of people who would want to buy the holding. Although small, we're in a high-technology situation," says Mr. Rigby. But he sees the Board as providing the Government with a valuable vehicle "for stimulation of skills, to allow high-technology companies to go forward."

Robert Cottrell

## A small concern growing too fast

RIGBY, ELECTRONICS is a Manchester-based company (turnover: £500,000), in which the National Enterprise Board has held a 75,000 stake since February, 1979, with an unexercised option to invest a further £75,000. It was one of the first companies to join the NEB's Sapling Scheme, which is a joint venture between the NEB and the management consultants, Collinson Grant Associates, to provide guidance to smaller companies handling problems associated with rapid growth.

Rigby Electronics was founded in 1972 by its present managing director, Mr. Brian Rigby. It manufactures electronic high-vacuum equipment, sequential control equipment, and infra-red machine guards.

## International

When the NEB moved in, says Mr. Rigby, "the company was expanding at a rate which couldn't be funded from profits. It was a question of going forward or going back."

The company had grown from a local electronic sub-contractor to the producer of a range of products with national and, ultimately, international sales potential. The machine guards, produced by its Electroguard subsidiary, were developed to "state of the art" level, with increasing sales potential as safety standards become more rigorously enforced, he says.

But Rigby's borrowings were reaching 75 per cent of net assets, the upper limit agreed with its bankers, Midland.

"Asking for more money when you're buying an enormous machine is not so bad. But when it's for design, they understandably get very nervous," says Mr. Rigby.

The NEB link-up came more or less by accident, says Mr. Rigby. His company had a technical agreement with another, local firm, General Electronics, which approached the NEB. Rigby and the NEB became acquainted, and it was mutually felt that Rigby Electronics would fit well into the emergent Sapling Scheme.

Mr. Rigby declines to disclose company profits. But, he says, the sales of machine guards, where the NEB money was mainly channelled, have doubled year-on-year and will account for around half next year's group sales.

The Sapling Scheme involves monthly consultations between Mr. Rigby and representatives of the NEB and management consultants. The last month's performance is reviewed, together with projections for the next three months.

"I outline a profit and loss account, a source and application of funds and a balance sheet every month. That is one of the advantages. For a couple of days I look at the situation from a strictly factual point of view," says Mr. Rigby.

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## FINANCE FOR SMALL COMPANIES VIII

## Where to go for export finance

SMALL BUSINESSMEN making their way in foreign markets have a comprehensive range of export finance facilities open to them, from the 20-year-old City establishment, such as the discounts houses and export and confirming houses, to the 60-year-old Government-created Export Credit Guarantee Department.

The clearing banks, as a group, also play a central role in providing export finance through their international subsidiaries, and special factoring companies, too, are important in offering schemes by which exporters can offset their trade credits.

The ECGD is the single largest operator in the field, however. In its last financial year, to April, 1979, it insured a total of £14.5bn worth of exports, a 12 per cent increase on the previous year.

But the costs of its insurance policies are becoming less attractive to the smaller exporter. In mid-February, the ECGD doubled the premium it charges for bank guarantee facilities for goods sold on an open account, from 25p per £100 insured to 50p.

The reason is clear in last year's profit and loss account for the ECGD. Claims paid out during the year amounted to £134m while premiums received were only £108m.

The ECGD internal investigations have revealed that one major element in the shortfall was open account business which has been increasingly losing money over the past five years or so largely due to the insolvencies of British exporters.

Export business, based on bills or notes exchanged but carried out between exporters and buyers with close associations, will carry a similarly increased premium, again because of insolvencies. Normally, bills of exchange provide the ECGD with specific protection in case of a collapse of one party, but where the two parties are interlinked the security is frequently ineffective.

Despite the increase in costs, however, most exporters find the protection of an ECGD scheme invaluable in raising finance from their banks. A further attraction is the experience the ECGD's long track record can provide as to problems which can be expected in markets or with companies the exporter may not personally have encountered before.

Where exporters have cause

for complaint against the ECGD, on the other hand, is in the time taken to process their applications for export cover. In difficult overseas markets, exporting groups have complained, processing takes up to six months. Even in normal markets, applications are taking six to eight weeks for processing whereas 10 to 14 days had been considered usual.

The ECGD's problems are those common to most Government-associated organisations: the need to cut costs. Although the department does not require State-financing, it has been expected to cut staffing and services levels across the board since the new Government instigated its programme of reduction of public bodies.

One area of services over which the knife now hangs is the ECGD's lesser known overseas investment insurance scheme. This was established to provide cover for companies entering foreign markets by projects or investments in those markets rather than by export of products.

## Unhappy

EGGD executives have not been happy with the scheme for some time and the £80m of claims recently paid out under it has intensified their desire to close the scheme. It would save jobs they argue, and in any case it is too risky. Meanwhile, the scheme is in existence and could provide a source of finance for certain overseas-oriented companies.

The British Overseas Trade Board, another valuable source of aid to small, new exporters, has also been told by Government to cut its budget and staff, and increase costs to its customers.

The biggest cuts will be made to services to large overseas contractors but there is also to be nearly £1m saved by increasing charges to companies exhibiting at overseas trade fairs.

One important service, however, has escaped the cuts—so far. This is the BOTB's Market Entry Guarantee Scheme which is designed to help companies entering foreign markets.

Introduced in 1978, the scheme has now offered financial support to 172 applicants. It can provide up to 50 per cent of the costs involved in setting up a new export market in return for a levy on sales which ultimately should provide the BOTB with a commercial re-

turn on its investment. The minimum contribution is £20,000 and the maximum £100,000 over five years.

The EGGD and the BOTB between them provide valuable sources of permanent insurance and aid. One of the roles of the clearing banks has been to complement this by more event-oriented export finance.

Under such schemes the banks obtain their own cover from the EGGD and the exporter merely applies to the bank without having to arrange prior cover with the EGGD.

All the clearing banks offer such schemes. The Midland Bank, through Midland Bank International, has recently updated its own version of it.

Under the MBI scheme the maximum turnover allowable for the smaller exporters scheme is £250,000 (previously £100,000) and the maximum single export transaction £15,000 (£10,000). The scheme has also been widened to include transactions under taken on an open account basis without the security of a bill of exchange.

Under the scheme, the exporter simply signs a straightforward agreement and provides evidence that the goods have been exported. He can then obtain up to 90 per cent of the invoice amount for which he pays fixed interest of 11 per cent over base rate plus a flat 1 per cent charge to cover the bank's own insurance with the EGGD and handling costs. The scheme is intended to cover sales with credit periods up to six months plus a reasonable shipping time.

Midland believes its scheme is becoming increasingly attractive to exporters. In part because of the increased premium charges now being levied by the EGGD.

Tra bank claims that a number of exporters with regular customers in countries with a low political risk no longer see the need for comprehensive permanent cover from the EGGD. Instead, they want a specific package for particular exports or exports to new buyers or countries.

It also claims to be winning customers from small firms whose export turnover is too small or intermittent for EGGD comprehensive cover to be suitable. Applications for bank schemes of this nature certainly tend to win approval in a much shorter time than applications to the EGGD.

Another Government aid



An example (above) of factory and warehouse units, ranging in size from 2,950 to 7,400 sq ft on one of Warrington New Town's industrial estates.

Below: A section of the recently-completed Bilton Industrial Estate which forms a small industrial "pocket" in the township of Hauchley, seven miles south of Birmingham city centre. This estate has 21 single storey factories, of which half have already been let to a wide range of small industrial companies and some subsidiaries of public companies. Rents range from £1.85 to £2 a sq ft and leases are for 24 years with four-yearly reviews. The joint agents are Edward Erdman and Co., and Grimley and Son.



scheme which can provide finance for would-be exporters is linked to the Product and Processes Development Aid Scheme set up by the Department of Industry in 1977.

## Extension

This was designed to help manufacturers in the stage between design and commercial production of a new product or process. Since it was introduced, the scheme has provided £48m to 367 applicants. In the main, applicants can expect to obtain 25 per cent of the costs during this period.

Now Sir Keith Joseph has announced that he is studying an extension of the scheme to help companies develop specific products aimed at the export markets.

The range of Government aid schemes for exporters, therefore, remains wide at a time when Government policy generally is to cut back on State aid in the light of its philosophy that success in industry depends on industrialists standing on their own two feet.

One scheme which falls neatly within this philosophy is the self-help organisation established by a series of major companies in London just over a year ago. The scheme, known as the London Enterprise Agency, is designed to put

small companies in touch with larger ones which could provide advice or joint ventures.

The LEA is now to expand into specific export help. In September it is mounting an exhibition in the Festival Hall at which it will invite small companies to exhibit products which they believe have export potential and would benefit from links with major companies with established export businesses.

The agency is only a small example of the flexibility of industry and the financial institutions in devising packages which would help the small exporter. The real problem is not availability of export finance and aid but information about where such aid can be best obtained. The EGGD's facilities are almost certainly known to even small businessmen, other such organisations may not be.

It is not widely known, for instance, that export finance insurance cannot generally be obtained from Lloyds of London whose underwriters are prohibited from writing credit insurance.

But an association of credit insurers does exist which can put firms in touch with sources of export finance. The money brokers, of course, offer valuable services, but perhaps the most obvious place for exporters to turn for advice is its own clearing bank.

Christine Moir

## A serious shortage of business premises

OF ALL the problems confronting small businesses, the task of finding suitable premises in which to operate invariably ranks very high on the list.

It is now widely accepted that a shortage of small industrial premises exists in the UK and there is rarely any difficulty in letting those units which are available.

The reasons for the potentially damaging situation and some recommendations for improving the position were set out in a recent report prepared jointly by Coopers and Lybrand, the management and economic consultants, and Dr. Jones, the chartered surveyors.

The report, which was released at the time of the Budget, was used by Sir Keith Joseph, Secretary for Industry, as evidence that town planning excesses of recent years and the failure of developers and institutions to finance small business premises had combined to wipe out a large proportion of the type of premises in which small companies flourish.

The study claimed that excessively rigid planning policies, which still continue in some areas, had made it impossible to press on with new developments and to replace the large numbers of industrial units which have fallen victim to widespread demolition programmes.

To illustrate just how serious the shortage has become, the report pointed out that one-third of all the small business schemes studied were fully let before development was even complete and three-quarters were over 60 per cent pre-let. Within six months of completion, around 85 per cent of space had tenants.

In an inner London borough, for instance, there were 34 inquiries for every unit below 2,500 sq ft which was advertised while a new development in Stockton comprising ten small units attracted 120 applications after one single advertisement. Even in areas where there have been fairly significant small factory programmes in recent years, such as Telford and Peterborough, the ratio of inquiries to available units remains high.

In examining the planning reasons for the shortage, the report drew attention to the long-standing reluctance of various public bodies to make surplus land available for development, particularly when the land in question is located in inner city areas. But the authors suggested that local authorities in particular have become more aware of the disadvantages of holding unused land assets.

It is accepted, however, that an increasing number of

authorities are taking a more positive role of identifying and assembling parcels of land for industrial and other forms of development. The controversial Local Government Planning and Land Bill is also intended to ensure the release for development of unwanted local authority land.

The report also pointed out that the relaxation of planning controls and the speeding up of the development process among his policy priorities.

The Coopers/Dr. Jones report showed clearly, however, that the long time taken to gain planning permission and the uncertainty of the type and range of conditions attached to planning consents by local authorities can invariably provide an important source of delays and higher costs to developers and tenants alike.

## Benefits

The report suggested that considerable benefits would accrue from a system in which proposed small factory schemes (possibly of below 2,500 sq ft) in zoned manufacturing/warehousing areas would be deemed as having planning consent unless the local authority decides otherwise within a statutory period which could be in the region of eight weeks.

The joint study also made a plea for local authorities not to automatically treat small industrial developments outside established traditional zones as unacceptable. It suggested that inoperability with development plan zoning, which is often of a blanket nature, should not of itself rule out small factory schemes. The report claimed that such schemes should be refused— even in residential or mixed commercial areas—only if there are clear environmental reasons, such as noise or some other form of disturbance.

But much of the document was taken up with an appraisal of the traditional financing arrangements for small business premises and a call for more private sector involvement in an area where the public sector has been predominant.

The small business premises market, said the report, can provide profitable investment opportunities, as long as it is approached in the right way. It suggested that the unprofitable and risky image which is attached to the small premises sector stems from a number of reasons, the most important of which could be the virtual absence of a proper commercial market.

With very few exceptions, institutions have shown little real interest in the small unit

development, largely because such schemes are so clearly different from familiar, warehouse investments and because of limited experience and understanding of this sector of the market.

In the absence of their involvement, the provision of small business units has invariably fallen to public bodies such as the local authorities and new town development corporations, which have undertaken schemes on a non-commercial basis or without any clear financial criteria. Often, the commercial relationship between costs and rents has not been understood.

But the report emphasised that it did not believe additional financial incentives (beyond those of industrial building allowances, regional development grants and inner urban area funds) should be provided to developers and financial institutions in order to encourage them to enter the small factory market.

It claimed that profitable investment opportunities existed without the necessity of subsidies and that outside financial help was disliked by institutions who were likely to interpret it as implying a commercially unsound market existed. Neither, said the report, did short-term subsidies help ensure the longer-term income growth that institutions normally require in addition to a good initial yield.

The last Budget did, of course, provide additional incentives in those areas which the report considered acceptable. Industrial building allowances for units of 2,500 square feet or less have been raised from 50 per cent initial allowance and 4 per cent annually to 100 per cent initial allowance.

The arrangement will run for three years and is additional to the simplified arrangements for administration under which the allowance will be paid to developers on a construction instead of on occupancy.

Already, the National Coal Board pension fund has agreed to provide up to £15m for building small factories in a joint development programme with the State-owned English Industrial Estates Corporation. Legal General Assurance, is already working on schemes with the Corporation and now Barclays has announced that it, too, is to invest via the Corporation, in small factory development.

There are, at last, signs that the institutions which alone could transform the market for small business premises are beginning to sit up and take an interest.

Michael Cassell

## Quick cash from factors

CASH FLOW problems can be one of the biggest headaches for any business—and for the small company the problem can be acute. Since lack of money to cover increased working capital needs, may prove one of the overriding factors limiting the growth of many small businesses. There are obvious traditional lines of credit and assistance, yet many small businesses lack the asset base to support hefty borrowing.

There is a source of cash in every company—its sales ledger. If the debtors would pay up faster, the cash could be there to re-invest in further manufacturing materials. This is where factoring, and its closely allied invoice discounting, can play a part.

Factoring is no panacea for an ailing business, but it is a useful tool for an expanding company. Certainly there are cheaper lines of credit, but for a small company it does provide a cash injection and can lift away the worries of debt collection from the small businessman whose ability is probably in manufacturing and selling rather than spending time on the phone chasing his debtors.

The various factoring companies offer a service which varies in detail but in a nutshell the factor will pay over up to 80 per cent of the face value of an invoice with the balance later on a preset date. So immediately a company invoices its debtor it gets a substantial cash injection. There is an interest charge on the amount paid over and a fixed fee relating to the company's turnover.

It is no bargain and while it has a place for the growing company it should not really be regarded as a firm borrowing base for the long term future of the company. There should come a time when the company generates enough cash flow to run its own show. If it fails to do so something is probably wrong.

The concept of factoring has been around for more than a decade, but it has taken a long time to catch on. Even now, many businessmen only have a vague idea what it is about. However, it has started to get under steam in the last couple of years.

The latest figures from the Association of British Factors, which represents all the leading factoring companies and probably accounts for over 90 per cent of the market, reported that business had increased by 28 per cent to £1,707m in 1979. This represents a gain in the last two years of some 75 per cent and is even more impressive measured against the figures of the early seventies. In 1973 the combined volume of business was only £200m.

There is one big difference in the type of factoring you can get—with or without recourse. One does not insulate the company from bad debts and one does. The type of factoring which does give bad debt cover, without recourse, is not surprisingly the more popular, but there is a case for either.

International Factors, a member of the Lloyds and Scottish Group, is a fairly typical factoring company in the "without recourse" mould. Mr. John Lenton, its marketing and sales director, breaks down the service he offers clients into three broad categories.

The full factoring service offers sales ledger collection, invoicing, and collection of debts. In providing protection against bad debts, International will pay the client regardless of whether it has collected the debt, and of course between 75 per cent and 80 per cent of the invoices' face value is paid over at once.

Then there is agency factoring which applies where the client already has a good sales ledger system at work. Here, the factor is providing bad debt underwriting and again up to four-fifths of the money up front.

Finally, there is invoice discounting where the client runs the sales ledger, sends out the invoices and collects the money himself. International will advance 75 to 80 per cent on the whole ledger or selected clients and the client pays back International when the cash comes in. There is no bad debt cover, so if the debtor does not pay, or is late, the client still has to make the repayment to International on the due day.

The "with recourse" factoring fraternity is led by Alex Lawrie, which was set up in 1962 as the financial arm of Alex Lawrie and Co., an East India tea merchanting organisation. It, too, is now a subsidiary of Lloyds and Scottish having been taken over in late 1975.

Mr. Warwick Hughes, marketing controller of Alex Lawrie, admits that the offering of bad debt cover which the majority of factor factoring companies do sounds a good idea. But, he argues, the major factoring companies are subsidiaries of banks and "they are in it for a profit," which this reflects in their charges and also the limits that they place on the amount of business that they will factor with any one customer. Those offering bad debt cover understandably take a different viewpoint.

According to Warwick Hughes, the ultimate responsibility should lie with the client but he says "When we do a prior investigation we advise what to do to reduce the bad debt risk and because we are not out on a limb, if there is a bad debt, we are more flexible in the amount we will factor. If a bad debt does cause financial problems to our client we will spread the repayment over a number of months."

Alex Lawrie also seems more willing to take on smaller companies. Mr. Hughes says that his company will take on a client with as small a turnover as £50,000 a year. John Lenton looks for a practical minimum in his clients of £150,000. Both say they will consider smaller companies if they see that there is potential for rapid growth.

The cost of the service varies. For example, Alex Lawrie charges an administration fee of between 1 to 2 1/2 per cent of a client's turnover, depending on the amount of work involved. The money advanced against the invoice will attract an interest rate of 2 1/2 per cent over finance house base rate. International Factors charges a similar range of service fees, but the interest on the money advanced is charged at 3 1/2 per cent over base rate.

The advantages for the small businessman are self evident. There must be something comforting to know that cash will be flowing into the company at a steady rate.

Factoring companies make a critical investigation of any company they take on. They go into a lot of detail and as John Lenton put it: "We put two people into the company for a

day, and they almost do a mini-audit."

The biggest faults they find in small entrepreneurial companies is often the lack of regular management accounting and careless posting in purchase ledgers.

They will also examine the company's customers. Around 99 per cent of the time the large customers will already be known to the factor from his other clients, so he will soon know if they are sound players. If there is an obvious bad debt risk, a factor offering a "without recourse" service is obviously going to think again.

## Speed paying

It is during this prior investigation that the factor will ascertain the average debt repayment period and that will determine the time factor for paying across to the client the balance of the invoice due less any fee. Factors usually reckon that they can speed up the repayment period by a few days as well.

One of the big fears among most prospective clients is how their customer will react. This is probably not as important a factor as it was a decade ago. Factoring is more widely known—at least to a client's bigger customers who probably have several suppliers using factoring services—and the factor is obviously not going to win friends if he goes out demanding payments and loses his client half his customer list. But, undoubtedly, bringing in a third party must change relationships in some ways. Possibly, lines of communication can become more stretched.

One innovation in the past year has come with the lifting of exchange controls. International Factors has launched a currency financing service to exporters. It is only just getting off the ground, but it can provide an exporter who factors his invoices with International with access to low cost funds without exchange risk.

Overall, there is a case for factoring to improve cash flow for the smaller expanding company. Most of the factors are flexible in their approach but it is worth shopping around and both "with recourse" and "without" should be considered as viable options.

Terry Garrett



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# Public illusions about energy

BY RAY DAFTER, ENERGY EDITOR

THE GENERAL public, presumably bemused by conflicting energy statistics, warnings and exhortations, is formulating a remarkable view of fuel supplies in 20 years' time.

It reckons that the nuclear industry is about to meet the majority of our energy needs. But it won't.

It would like to see the highest share of energy supplies coming from solar power. But it can't.

The changes are considered necessary because it is thought that within the next two decades oil supplies — now recognised as the most dominant energy source — will have virtually dried up. Wrong again.

This conclusion has emerged from an oil industry survey of the public's perception of energy supplies, carried out in the UK, Germany, France, Holland, Denmark and Switzerland. Three times in the past year or so the public has been questioned. And each time consistently come up with the incorrect energy view.

It would be wrong to draw too many hard and fast conclusions from what are necessarily cursory barometer readings of public opinion. Even so, with energy now such a political topic—and politicians so anxious to heed public opinion—the industry must be concerned. Certainly the Royal Dutch/Shell Group is, Shell commissioned the Paris-based research group, Institut Français de Démoscopie, to conduct the survey.

In particular, Shell is worried about the public's perception of the future for oil. The survey shows that 69 per cent of Europeans recognise—correctly—that oil is today's most important energy source. The public also has a reasonably accurate idea of the importance of the two other main fuels—natural gas and coal.

However, when looking ahead to the year 2000 the public dismisses oil as being a major

energy provider; less than 10 per cent of the people interviewed regarded oil as relevant to the future energy scene. In this respect the views of the British public appear to be little different from those of other Europeans. In spite of the North Sea oil, it seems that the British have picked up the warning signals of their Government and industry—the North Sea can provide only temporary relief—and "oil self-sufficiency will last for only a few years" — and ignored the more positive signal.

In March British Petroleum pointed out that so far 15bn barrels of recoverable oil had been discovered in the UK sector of the North Sea of which about 770m barrels had already been produced. The Energy

## Oil companies must accept some of the blame

Department puts ultimate recoverable reserves to be in the region of 17bn-32bn barrels.

On this basis Britain has used only between 2.4 and 4.5 per cent of its recoverable reserves. It thus seems a little early to be writing off the North Sea. After all, UK oil production has still to rise to the self-sufficiency level of 1.8m barrels a day—a level which, according to Shell UK and the UK Offshore Operators' Association, could be maintained to the turn of the century given certain Government policies. Even if Britain is forced to rely on net imports again, it is projected by the Energy Department that oil will still be the biggest single energy provider in 20 years' time.

The same is true for member countries of the European Economic Community and the International Energy Agency. Ministers from each body have taken steps to lessen consumers'

dependence on oil but all have recognised the limited possibilities for an early switch to other fuels.

The ministers in both bodies (and, of course, there is some overlapping here) have committed themselves to reducing oil consumption to a level equal to, or lower than 40 per cent of gross primary energy consumption by the end of the decade. At present, in IEA countries, the share is around 52 per cent.

But even then, in the year 2000, the non-communist world could be consuming as much oil each day (around 50m barrels) as it is at present. It will still be the most important single energy source. Furthermore, given that the world has used at the most only a quarter of its recoverable oil resources, there should be plenty more available to meet those demands for which oil is most suited—transport and chemical feedstock—well into the next century and perhaps beyond.

So why is this not recognised by the man in the street? Shell officials believe that the oil companies must accept some of the blame. They feel that by emphasising the supply problems, by encouraging conservation measures and by playing up their diversification into other energy forms, they have given a false impression about the future importance of oil.

There are a number of reasons why companies should want to put the record straight. Clearly their own image, their financial standing, could be impaired if investors felt that they had based their business on a resource that was about to vanish.

Companies are also worried that public attitudes and perceptions could influence political aspirations and result in the quest for unrealistic future energy balances. For another blind spot in the public's view is the length of time needed to

plan, build and commission major energy projects that will take the strain off oil supplies.

The lead time for the development of a coal mine can be a decade. It can take 11, 12 or even 13 years to obtain approval for and to build a large nuclear power station in some parts of the world; while in others—such as Japan—it takes only half that time. The U.S., which single-handedly could significantly alter the world's energy demand balance, has some of the longest lead times for coal and nuclear projects.

And yet about 72 per cent of the thousands interviewed in the Shell-commissioned survey believe that within the space of two decades nuclear power will become the chief source of energy. Obviously the message—a wholly justifiable one—that the world cannot afford to do without nuclear energy, has made a mark. Unfortunately, the man in the street has been led to expect that the nuclear contribution will be much greater than it could be.

At present, nuclear power meets only 3 per cent of the non-communist world's energy needs. It is used only for electricity generation. Given the plans now in hand, that share must grow. The EEC, for example, expects to be generating around one-third of its electricity supply by 1990. In France more than two-thirds of electricity generation in 10 years' time could be based on nuclear fission.

Given such a growth rate, nuclear energy could be meeting 10 per cent of non-communist world energy requirements within 20 years. But as Shell points out, that would entail the construction of over 500 nuclear power stations at a cost of more than \$600bn (in 1980 dollars). To replace oil as the major energy supplier would require a nuclear programme three or four times as

large—clearly out of the question.

And yet if the public is living in "Cloud Cuckoo Land" in expecting nuclear power to fulfil this need, then it is hopelessly wishing that the alternative energy sources—in the main solar and water power—could meet the bulk of demand.

Ecologists—and environmentalists—among them the Friends of the Earth—must be having an appreciable impact on public perception of energy. In a survey of 55 per cent of men-in-the-street questioned said they wanted to see solar power exploited to the extent that it would supply the biggest proportion of their energy requirements. Ideally, they would like to see solar power and hydro-electricity meeting over half of the needs.

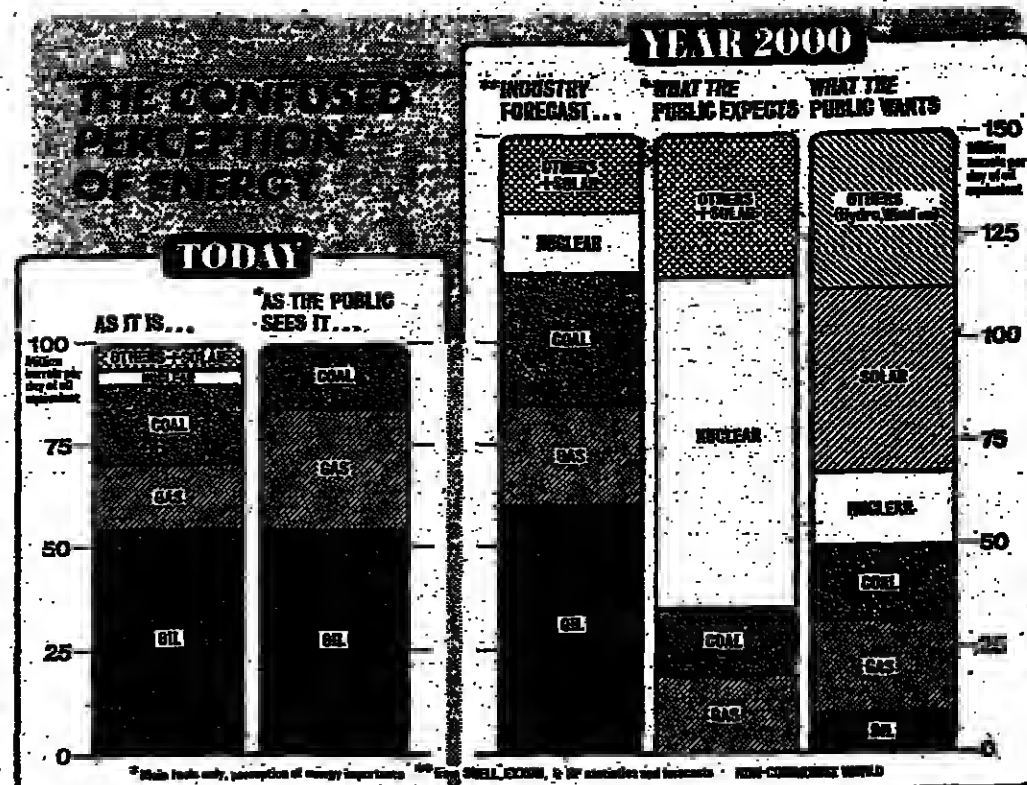
This expectation must be viewed in the harsh light of reality. The energy industry for whatever reason, good or bad, has started too late in the day to make these alternative energy sources significant contributors within the foreseeable time of two decades. Exxon believes

## Can you believe what the oil companies tell you?

that by the turn of the century they could account for 9 per cent of non-communist world energy supply.

Shell is somewhat more optimistic. It expects the contribution to grow from 7 per cent at present to nearer 13 per cent. And that expansion programme, according to Shell, could cost \$500bn to \$700bn. So much for sun and water power being "free". The era of cheap energy is over.

But all these projections, most of them emanating from



the research departments of big oil companies, raise another question: One that the oil groups themselves find somewhat embarrassing. Can you believe what the companies tell you? The answer, from the general public's point of view, is "no".

It is not that companies are seen to be telling lies—well, not often anyway—it is that they are regarded as secretive and selective in the facts they make available.

Nowhere is the oil industry's credibility lower than in the U.S. There, according to a recent survey, almost three-quarters of the population believes that oil companies are mainly to blame for the current energy problems.

The same does not appear to be true in Western Europe. Although survey methodologies differ, Shell's barometer readings indicate that 20 per cent of Europeans blame companies

for the energy mess while 33 per cent point the finger at the Organisation of Petroleum Exporting Countries.

And yet even in Europe the oil companies have cause to be concerned about their image. It appears to be deteriorating. Not only are more people holding them responsible for energy supply problems (the percentage has been rising with each survey), but there seems to be quite strong support for more government controls.

The statistics for the UK are particularly revealing. Of those questioned who had a positive view (that is they were not neutral or did not refuse to answer) the vast majority felt that government controls over large non-oil companies should be reduced. This may be a reflection of the public mood that helped to send Mrs. Margaret Thatcher to 10, Downing Street. In contrast 51 per cent of all those asked, in the

UK wanted more government controls of the oil companies—as against 10 per cent who wanted less and 39 per cent who felt that the present controls were adequate.

The inference to be drawn from these statistics—accepting that generalities can be dangerous—is that North Sea oil is regarded as too important to the economic, political and social fabric of the country to be left solely in the hands of the oil companies.

It is a message that has been taken on board with some concern by Shell, particularly at this time only days after the Labour Party has adopted its "Peace, Jobs and Freedom" policy statement which includes nationalisation of North Sea oil. Companies are uncomfortably aware that in the hands of a skilful politician, public attitudes, damaged reputations and misjudged estimates can be mixed into a potent brew.

## Letters to the Editor

### Made in Britain

From the President, Federation of British Cutlery Manufacturers

Sir—Your excellent cutlery article (May 24) sets out accurately and fairly, the state of the industry, and the problems facing it. However, your readers could be forgiven for jumping to some wrong conclusions. Three in fact.

First, the legislation on honest marking recently announced by Mrs. Sally Oppenheim, is strictly a consumer protection measure. In carefully conducted polls, her Ministry has found that a sizeable majority of consumers really want to know where their cutlery is made. And can you blame them? Cutlery is a lifetime consideration purchase. Being misled for two or three years when you buy a shirt is one thing, but being hoodwinked into buying hybrid cutlery mainly made in the Far East, and being passed off as "Sheffield" is another.

The consumer at last will know what he/she is buying. The retail trade will also benefit as they cannot be expected to be expert in all things they sell. The prosecution has begun against a store contravening the Trade Description Act for selling branded Korean cutlery without country of origin marking. Retailers need protection against importers and manufacturers who pretend their products are British.

Second, cutlery makers are not as divided in the matter of importing as the headline suggested. Only a few "cutlers" have taken the soft option alternative to manufacturing. The vast majority of the industry deplore this substitution of Far Eastern labour for British.

Finally, it is unfair to be accused of low productivity. Surprisingly, considering the onslaught of Korean and other low-wage labour, the industry remains efficient. In the same mould as German and Japanese cutlery industries, Sheffield is made up of tightly run specialist manufacturers who concentrate on single aspects of what is a large overall product range. Critics of the industry describe this as fragmentation, and so it seems from the outside. From the standpoint of 30 years' experience of viewing every cutlery industry in the world, it just isn't so. Of course, if Far Eastern cutlery had been kept out of Britain, as the French and Italians have done, so increased mechanisation and some automation could have come, as it has here. This is only possible where volume opportunity exists.

Of course we have low productivity compared to countries like South Korea, who alone have about half the UK steel market. There they work twice as long, twice as hard and twice the pace for a quarter of our wages. But their machines are unguarded and their workers have no trade unions.

If the UK cutlery industry is at fault, it is because up to three years ago, it had one trade association whose members were a mixture of importers and manufacturers. You cannot serve two masters, and perhaps this is where many trade bodies and associations go wrong. Like the impotent octogenarian who claims to be a celebrator, they claim to be serious and responsible. But can they do anything?

Fortunately for the industry,

the Federation of British Cutlery Manufacturers is now in being. Some say a little late, but it is never too late to strive for fair play for an industry.

John Price, Arthur Price of England, Anthony Road, Salford, Birmingham.

### Olympics boycott

From Mr. R. G. T. Hulbert

Sir—Surely the most effective protest would have been for all "boycotting" nations to compete under the same flag, preferably a small nation like say Andorra. This would achieve all objectives.

1. The Russians would fall to get the most medals.

2. The political point would be made and maybe lead to the removal of politics from future games.

3. The athletes would not have to make any self-sacrifice.

R. G. T. Hulbert, 52 Luttrell Avenue, SW15

### Air traffic control

From the President and General Secretary, The European Public Service Union, Eurocontrol Branch

Sir—The comparison of European fares with those in the United States, and the explanations for the discrepancies given by Michael Donne in your issue of May 27, can only be of concern to all those who, for business or for pleasure, have occasion to travel by air in Europe. We feel it useful therefore to enlarge on two particular aspects of this article.

It is stated that "in the U.S. enroute navigation facilities are Federally funded and not charged to airlines, whereas in Europe they are a heavy impost, passed on to the passengers."

First of all this statement needs qualification for, although in the U.S. route charges are levied for each flight as in Europe, the U.S. Federal Government imposes a system of taxes on airline tickets, cargo way-bills and fuel to pay for enroute air navigation facilities.

Now the cost of the provision of air traffic services within Europe can, in some cases, account for as much as 5 per cent of the price of an airline ticket and therefore a comparison of these costs with those in the United States is relevant. A recent study has shown that, for 1976, the latest year for which figures are available for both the U.S. and Europe, the cost per flight of air traffic services was \$112.5 in Europe whereas in the U.S. the equivalent cost was only \$43.6. Because of greater average distance flown per flight in the U.S., the ratio of cost per unit distance would be even more significant. One of the major factors accounting for this difference must be that, while in the U.S. air traffic services are provided by a single Federal Agency, in Europe they are generally provided by a multitude of national administrations.

To illustrate this point it is sufficient to note that in the continental U.S. these services are provided by 20 identical enroute air traffic centres whereas in Europe there are already 16 dissimilar centres providing services for seven sovereign States covering an area equivalent to one quarter of that of the U.S. This situation

exists despite the fact that these seven States (Belgium, the Federal Republic of Germany, France, Ireland, Luxembourg, the Netherlands and the United Kingdom) are partners in Eurocontrol, the European Organisation for the Safety of Air Navigation. This Organisation came into being in 1963 upon the ratification by all national Parliaments of an international Convention under which the contracting parties "agreed to strengthen their co-operation in the field of air navigation."

The Eurocontrol Agency has planned and implemented two of the most advanced air traffic control centres in the world, at Maastricht in the Netherlands and Karlsruhe in the FRG, these being responsible for control of the upper airspace of Belgium, Luxembourg and the FRG. But elsewhere independent and unco-ordinated development of national centres has continued in contravention of the Eurocontrol Convention.

The same cost comparison study referred to above has shown that, in 1978, the provision of air traffic control services by the Eurocontrol centres amounted to \$32.1 per 100 km of flight, whereas the equivalent figure for national facilities was \$44.0 and for the United Kingdom \$47.8.

Michael Donne makes reference to the memorandum of the EEC concerned with the formulation of a common air transport policy in the Community countries. Such a policy will bring air transport to regions not yet adequately served and will open up air travel to markets not yet fully exploited. We must therefore ask ourselves whether the air traffic control and management services in Europe will be able to cope with the resultant increase in traffic density on our already congested airways while still maintaining or even improving the present high safety standards.

We doubt it and we fear the chaos which may result if the right measures are not taken now.

The opportunity now exists, for the Eurocontrol member States are drafting amendments to the existing Convention (admittedly not entirely adequate) which will be put before national Parliaments for ratification. Unfortunately the tendency in these discussions is to reduce the influence of the Eurocontrol Agency thus facilitating the independent development of national control systems and placing beyond the horizon the possibility of a homogeneous, economic and efficient European air traffic control and management system.

The Director General of IATA has stated at a public hearing of the Transport Committee of the European Parliament that "One common ATC organisation for Western Europe can be considered as the ideal solution. It would be both more efficient and less costly than the present separate national bodies. Eurocontrol would appear to have the professional capability to provide centralised services but to be effective it would need firm political agreement to give it the authority that it lacks at present."

Firm political guidance and a will to co-operate must now replace national pride and jealousies. The United Kingdom, at a moment when her image in the European Community is extremely low, should grasp this

opportunity to play a leading role in European co-operation in an area where no one denies its need.

Erène Gubin, General Secretary, R. C. G. Jansz, President, Rond Point Schuman, 1040 Brussels.

### Power and responsibility

From Mr. D. G. Franklin

Sir—Samuel Brittan is right to head his article "A case to talk to the TUC" (May 20), but it takes two to make a conversation. Although there are welcome signs by some trade union leaders "to row together," other members of the general council still insist that the Government must make a U-turn in its economic policies in order to return to the lost paradise of March 1979.

During the last 18 years we have experienced 12 years of "government by TUC licence," as Mr. Brittan puts it so aptly. The economic policies of this period produced the highest rate of inflation, the highest number of unemployed and one of the lowest standards of living for trade union members in the western world. If this is "protecting and looking after the interests of their members" as the national officer of ASTMS put it in your columns recently, it is high time that some members of the general council did a U-turn and followed the example of West German trade unionists who have achieved one of the lowest rates of inflation, the lowest number of unemployed and one of the highest standards of living in the western world.

It is encouraging to see that the GMBW is sending its officers to West Germany to study German workers' productivity, attitudes and involvement in work. They will find that this is achieved because their industrial relations structure is based on fundamental logical laws set up after the last war by our own TUC General Secretary.

Agreements entered into freely by both parties are enforceable in civil law and the recent Luton Airport go-slow contracts with a decision in a West German court which awarded damages against the Union of Flight Controllers in 1978 amounting to £53,000 for losses sustained as a consequence of their "go-slow."

In March 1980 IG Druck, the German print union was fined £14,500 for its part in the disruption of the printing of The Times in West Germany.

Another structural change was the establishment of a "one union, one system" system. The current inter-union battles at the Isle of Grain make this point all the more topical. The closed shop is illegal and against the constitution. This would violate one of the fundamental human rights of association or disassociation. This framework has produced an industrial relations foundation for a sound and successful manufacturing industry. This in turn provides high living standards for employers and employees. If we could all explore the common ground of prosperity, we could again make Sir Winston Churchill's words ring out again: "There will remain forces in our island that can bring back all our glories." D. G. Franklin, 121 Kennington Road, SE11.

### Today's Events

GENERAL: UK Prince Charles visits the Home Office.

Warwick University conference on West Midlands economy in the 1980s.

Federation of Personnel Services seminar on temporary work in Europe, London.

Giles Cooper Awards lunch for best radio plays of 1979, London.

Service of thanksgiving for Sir John Methven, CBI director general, Westminster Abbey, noon.

Overseas: OECD Ministerial conference, Paris.

PARLIAMENTARY BUSINESS: House of Commons: Finance Bill, committee stage. Orders on

Iranian trade sanctions.

Home of Lords: Debate on the urgent need for industry to improve productivity. Street Offences (Amendment) Bill, second reading. Licensed Premises (Exclusion of Certain Persons) Bill, committee stage. Debate on difficulties facing young people training for a career in the arts.

Select Committees: Education, Science and Arts, Room 6, 10.30 am. Foreign Affairs, Room 45, 10.30 am. Energy, Room 8, 10.45 am. Industry and Trade, Room 16, 10.45 am. Public Accounts, Room 16, 4 pm.

### COMPANY MEETINGS

Barwick, Thos, 79 Wells Street, W. 12. Ellis and Goldstein, Barrington House, Wood Street, W. 12. Guardian Royal Exchange, 20 Aldermanbury, EC. 12. Gill and Duffus, 14 St. Mary Axe, EC. 12. T. C. Harrison, 55 London Road, Sheffield, 2. Lowland, Drapery, 60 Wilson Street, Glasgow, 12.15. Modern Engineers of Bristol, Dixons Road, Bristol, Bristol, 12. Pearl Assurance, High Holborn, WC. 12. Revertex Chemicals, West Road, Temple Fields, Harlow, Essex, 12. Rowntree Mackintosh, Rowntree Theatre, York, 12.15. United Carriers, Overstone Solarium, Ecton Lane, Sywell, Northants, 12.

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## Good final quarter lifts Reed to almost £100m

FINAL quarter pre-tax profits of Reed International showed an improvement from £19.1m in 1979 to give a total of £99.9m for the year ended March 31, 1980, compared with £83.4m in the previous year.

Sales amounted to £1.52bn against £1.41bn despite an improvement from £382m to £402.6m in the fourth quarter. The year-end sales downturn reflects a much reduced contribution from overseas of £395.5m against £442.4m.

The directors say demand for the group's products and services was strong for most of the year but pressure on margins was severe. Results in Europe and North America were particularly encouraging and more than compensated for the loss of trading profit following divestments overseas in the last two years. Taking account of the progress made with the group's restructuring and the improvements in earnings per share—up from 38p to 66.7p before extraordinary items—the board is recommending a final dividend of 9p per share lifting the year's total from 5p to 13p.

The group is now based on three main product areas—paper and packaging; publishing and printing; and building and home improvement.

Following the sale in November 1979 of the pulp and paper operation at Dryden, Ontario, for £36m, the principal business of Reed Paper in Canada is now the newsprint mill in Quebec. All manufacturing subsidiaries in Australia and South Africa have been sold and the only continuing direct involvement in these countries is in publishing.

Net debt fell from £226m to £115m reducing the debt/equity ratio from 80 per cent to 34 per cent. Cash from the divestment programme has been used both to reduce long-term debt and to maintain a strong cash building for maximum flexibility.

The related fall in interest charges from £29m to £11m contributed significantly to the improvement in pre-tax profit for the year. Exchange losses for the year were £2m (£10m).

Capital expenditure increased from £48m to £55m. Publishing, packaging, building products and paint all performed well. UK paper-making margins were seriously restricted by the continued escalation of energy costs and sterling.

Wallcoverings continued to suffer from excess world capacity and the UK business is undergoing a major restructuring programme. The results of overseas subsidiaries have, for the first time, been consolidated to a common year-end date with that of the parent company and UK subsidiaries.

The results for the year to March 31, 1980, are for 52 weeks for the UK and overseas, while comparative figures to March 31, 1979, include overseas results for the year ended December 31, 1978.

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### HIGHLIGHTS

After a brief look at the setback to sterling yesterday Lex discusses the four main company news stories of the day. Reed International faced weaker trading conditions but it had closed its 1979-80 year with a strengthened balance sheet. Harrison and Crosfield has shown reasonable growth and sees a satisfactory outcome for 1980. De La Rue has reported a sharp increase in pre-tax profits and is making encouraging noises for the current year. Finally, ex examines the report and accounts from Vickers where the company is hoping for nationalisation money in the not too distant future. On the inside pages there is a London listing for Dome and a 183 operation for Kennedy Brooks. Companies which come in for comment include Thomas Ward, profits up from £6.2m to £7.5m, and MEPC reports half time figures.

## Vickers counts the cost of delay in compensation

Vickers "hopes and expects" that compensation for its nationalised aerospace and shipbuilding assets will be settled before too long, Sir Peter Matthews, the chairman, said in London yesterday.

Introducing the annual report, Sir Peter said that he expected an offer would be made to cover the aerospace assets in the very near future. Negotiations over the shipbuilding business have been referred to arbitration. Although no date has been set for a hearing, Vickers officials are hopeful of a decision on their case by the mid-autumn.

In his annual statement, Sir Peter describes the damaging effects of the long wait for compensation. These arise from the prolonged period of uncertainty, the continuing devaluation of any final settlement, and the need to borrow money at higher interest rates than those which will be attached to a settlement.

"Job opportunities have both diminished and put at risk. It has absorbed an immense amount of time and energy among our senior executives and professional advisers."

Discussing the planned sale of the international machines division to CIT-Alcatel, Sir Peter said he was confident the deal would be completed before very long. The transaction had been set up as a sale of assets rather than of an individual company.

Sir Peter, who is non-executive chairman, said that he was taking more of an executive interest in the group's affairs following the recent resignation, "for personal reasons," of Dr. Bernard Willett, chief executive and managing director. Mr. Jim Hendin, the deputy chairman, was acting as chief executive, and no new Board appointments were being planned.

The current financial year had got off to a good start, Sir Peter added, and the group's results had been above budget in the first quarter. The outlook appeared satisfactory for a little while into the future, and reasonable settlements for wages had been reached in a great many of the engineering subsidiaries.

However, Sir Peter emphasises in his statement that "the present economic climate of high inflation, exorbitant interest rates and a relatively strong currency brings particular pressure on the engineering and manufacturing sectors."

Vickers Fluid Power, which makes a range of hydraulic components and systems for industrial applications, has been reorganised completely with the aim of returning to profit in the second half of this year. Sir Peter made it clear yesterday that the division is being given a year to prove that it can be profitable.

The future of Roneo Vickers Partitions will be decided in a couple of months' time. This business, which has annual sales of just £3m, made substantial losses in 1979. Mr. Hendin said yesterday that a tour of duty had been applied to the bleeding.

However, he emphasised that the main Roneo businesses, with sales of around £70m a year, had been performing well and would be retained. The accounts show that the Henry Alaphy Group has maintained its sales by increasing market share in the face of reduced overall demand, and has held its profits despite adverse currency movements.

Some £20m will be spent over the next three years on a new factory at Leeds. Outstanding orders at the year-end were up from £201m to £238m, largely thanks to a shipbuilding contract in Australia. The accounts show that shareholders' funds rose fractionally over the year to £161m, with the impact of £7.5m pre-tax surplus being largely offset by differences on exchange and acquisitions. Loan capital was a little higher at £59.7m, and net short-term borrowings rose from £27.9m to £35.9m. There are no figures on current cost accounting.

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Manufacturing and marketing of plastics, chemicals, electronics and equipment.

# COLE

Extracts from the Review by the Chairman, Dr. J. W. Barrett, on the year ended 31st December, 1979.

The results for 1979 are disappointing. Turnover was up by nearly £5m compared with 1978 and operating profit increased by £385,000. However, reduction in the Interest Relief Grant and higher rates of interest brought our profit before tax (£681,000) down to substantially that of last year. The total dividend for 1979 is 4.65p per share (1978: 4.14p per share). All the operating activities, with the exception of Cola Plastics and the Christchurch division of Cole Equipment, improved their profitability. But for the loss in these two areas, the overall position would have shown considerable advance. Positive action has been taken to remedy both situations.

With regard to the future, there is much potential in the diversified trading and manufacturing activities of the Group. I put high priority on the identification of our individual strengths which can be used to Group advantage in those areas where expansion and increased profitability are best assured.

### R. H. COLE LIMITED

Copies of the full Statement and the Report and Accounts are available on application to: The Secretary, Whitecliff House, 852 Brighton Road, Purley, Surrey CR2 2UY.

### THE NEW THROGMORTON TRUST LTD.

Capital Loan Stock Valuation—June 3rd, 1980  
The Net Asset Value per £1 of Capital Loan Stock is 200.15p calculated on Formula 2.  
Securities valued at middle market prices

## Harrisons and Crosfield profits advance by £6m

ANNOUNCING a £6m increase in 1979 taxable surplus to £58.36m, on turnover of £399m, against £54.6m, the directors of Harrisons and Crosfield say 1980 is expected to be another satisfactory year. First-half profits had risen from £22.64m to £26.85m.

Full-year operating profits advanced from £47.8m to £55.3m, a divisional breakdown of which shows (in £000s)—plantations £29,533 and £27,717; chemicals and industrial £8,807 (£8,598); timber and building supplies £11,092 (£10,561); and general trading £5,099 (£5,007).

The directors report that on the plantations side, higher rubber and palm oil prices were partly offset by lower cocoa prices but further sizeable increases in yields per acre and also in cash returns appear capable of achievement.

All this provides attractive scope for improved future earnings, albeit at a pace consistent with good agricultural husbandry, they add.

In the chemicals and industrial division, the expansion in America together with that well known way at British Chrome and Chemicals, provides exciting prospects for growth, the directors state. Durham Chemical Group's planned production of anhydrous aluminium chloride at Sibley widens its product range and Canadian profits continue at record levels.

All the group's timber and building supplies operations improved on the previous year. Increased marketing of sheet materials and building supplies provides an important and valuable spread of activity in this division.

The group's two major charges rose sharply from

### DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding year	Total last year
Adkins Brothers	2.9	Aug. 2	2.73	4.05
De La Rue	13.2	July 2	7.47	18.58
Harrisons & Crosfield	20.5	July 31	17.53	24.03
Kinta Kellas Tin and Int.	7.5	July 24	1.5	5.0
MEPC	2.1	July 10	1.78	3.7
Parkland Featall	60%	June 28	50	150
Petaling Tin Bhd. Int.	3.12	—	2.72	5.06
Scitex	5.2	July 18	3.28	5.48
Sketchley	3.79	—	2.09	6.21
Transpore Paper	2.41	Aug. 12	5	13
Thos. W. Ward	9	—	11.95m to £5.49m	—
Reed Int'l.	—	—	—	—

Dividends shown pence per share net except where otherwise stated. \* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ No further payments to be made for 1979-80. § Malaysian cents throughout.

Malaysian companies surpassed by a wide margin the 1978 results. Good profits were also earned by the Australian and New Zealand businesses, while important contributions were also made by commodities, insurance and most general trading activities.

On prospects, the chemicals division opened the year at an "acceptable" profit level, although the weakness of UK demand and the continuing problem of low returns from exports are a concern for the remainder of the year. The plantations, timber and building supplies division, and the major general trading operations have made a good start in 1980. Profits from these activities in the first quarter show a useful increase.

Associates contributions were up from £5.4m to £7.6m in 1979. Investment income slipped to £0.9m (£1.03m), and interest charges rose sharply from

£1.95m to £5.49m. Tax took £26.53m (£23.89m) and earnings per £1 share improved by 5.4p to 56.2p. The net dividend total is stepped up to 28p (24.03p) per share, with a final of 30.5p.

	1978	1979
Turnover	£38,000	£46,000
Operating profit	55,300	47,800
Associates' share	7,855	5,000
Investment income	1,030	900
Interest payable	5,490	1,561
Profit before tax	58,375	62,379
Taxation	26,530	23,890
Net profit	31,845	28,489
To minorities	3,781	4,804
Preference dividends	—	—
Shareholders' share	2,976	483
Extraordinary credits	745	155
Amortisation of debt	25,714	23,279
Dividend	11,770	12,381

At the year-end, group net current assets had risen from £54.09m to £77.21m. Shareholders' funds were about £152.55m (£139.38m) and loans totalled £38.55m (£33.84m).

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## Thos. Ward sales and profit

For the first half year ended March 31, 1980, turnover of the Thos. W. Ward group rose from £132.23m to £154.77m and pre-tax profits were higher at £7.26m compared with £6.17m in the same period last year.

The directors say the group's iron and steel activities were severely affected by the steel strike but a more normal winter brought a recovery in construction activities. The engineering results were disappointing while motor distribution results were above expectations.

Tax takes £1.09m against £1.06m and is higher because of lower cost increases and capital expenditure. Stated earnings per 25p share are 9.9p compared with 9.8p and the interim dividend is lifted from 2.08375p to 2.40p—the previous total was 6.20425p from pre-tax profits of £14.92m.

The directors say the immediate future for scrap is uncertain. The industry is having to adjust to a reduced requirement by British Steel Corporation and therefore a much higher rate of export of scrap. The wholly-owned construction

Interests should show a seasonal improvement in the second half of this year and the prospects for the associated company are good.

A recovery is expected in the contribution from the engineering sector but motors may well find the going somewhat tougher in the next six months. Industrial services should be able to equal the first half result.

The group balance sheet has been further strengthened in the period by conversion by holders of £4.95m convertible unsecured loan stock.

First half 1979-80 1978-79  
Turnover £154,772 £132,232  
Depreciation 1,200 1,178  
Assoc. profits 2,500 1,850  
Interest 989 1,149  
Pre-tax profit 7,260 6,167  
Tax 1,090 1,066  
Extraord. credits 460 33  
Attributable 6,028 5,144

### comment

The make-up of T. W. Ward's interim earnings goes a long way to dispel market doubts that the group's building materials interests are being pulled down by engineering and scrap operations. The pre-

dominance of cement profits, coupled with some appreciation of the scope of management actions taken over the past three years or so, now puts the shares, unchanged yesterday at 90p, into an interesting category. The consensus is that pre-tax profits will hit about £17m this year for a fully taxed and diluted p/e of 5.9 and, assuming that the rate of half-time increase is applied to the total dividend, a yield of 11.4 per cent. Growth, certainly, looks reasonably assured if only because the normal second half bias and the March cement price rise should be enough to bolster construction and motor distribution profits. Scrap, obviously, remains a serious problem, but Ward is hoping that the trough may have been plumbed in the first half and the engineering division can expect some improvement in a strike free period. That leaves the perennial question of the consolidation of Ward's cement interests, the recipient of heavy capital spending in the wake of price constraints but, for the moment, the group accepts the status quo.

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# DOME PETROLEUM LIMITED

(Incorporated under the laws of Canada)

Authorised  
100,000,000

Shares of Common Stock  
of no par value  
(including 1,054,562 shares reserved for issue)

Issued and reserved for issue  
50,309,828

The Council of The Stock Exchange has admitted the above mentioned Shares of Common Stock to the Official List.

Particulars relating to the Company are available in the Extel Statistical Service and copies of the Statistical Card may be obtained during normal business hours on any weekday up to and including 18th June, 1980 from:—

HILL SAMUEL & CO. LIMITED  
100 Wood Street, London, EC2P 2AJ

HAMBROS BANK  
LIMITED  
41 Bishopsgate, London, EC2P 2AA

MORGAN STANLEY  
INTERNATIONAL  
P.O. Box 132, 1 Undershaft  
London, EC3P 3HB

and

CAZENOVE & CO.  
12 Tokenhouse Yard, London, EC2R 7AN

4th June, 1980



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80

THOS. W. WARD  
LIMITED

RESULTS FOR THE HALF YEAR ENDED 31st MARCH 1980  
(UNAUDITED)

“Record first half”

	1980	1979
TURNOVER	128,252	177,835
PROFIT BEFORE TAX	7,258	6,467
PROFIT AFTER TAX	5,998	5,111
EARNINGS PER SHARE	8.5p	8.2p
DIVIDEND PER SHARE (Gross)	2.4p	2.0p

- STEEL STRIKE HITS IRON AND STEEL ACTIVITIES
- CEMENT PROFITS RECOVER
- COMPANY FINANCIALLY STRONG

Principal activities of the Thos. W. Ward Group:  
Iron and Steel Works, Cement, Engineering,  
Motor Vehicle Distribution, Industrial Services.

Thos. W. Ward Ltd., Abdon Works, South Street, Sheffield S4 7UL

BEWARE!  
TAX MINERFIELD

What happens if you put  
a foot wrong?

The line between tax avoidance and illegal tax evasion is sometimes a narrow one. Any taxpayer who is careful to pay no more tax than he has to is running the risk of rightly or wrongly coming under Inland Revenue's scrutiny. First a tell-tale surge of interest from the District Inspector. Then the scrutiny by the Enquiry branch, perhaps even leading to the issue of search warrants and the seizure of documents.

If this happens to you, to clients you advise, you need to make sure you fully understand the position. A new book by the ex-deputy head of Inland Revenue's Enquiry Branch, Tom Brigham, tells all - why it is likely to arouse suspicion in the first place, what the sources of suspicion are, what their powers and the methods are. The book also sets out useful counter-measures.

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TAX EVASION - THE LAW AND THE PRACTICE

Clement Clarke  
(Holdings) Ltd.

Manufacturing and Dispensing Opticians  
Manufacturers of Surgical, Medical, Ophthalmic  
and Aircraft Instruments and Equipment.

Mr. J. H. Clarke, Chairman and Managing  
Director, reports on 1979:

- Group Sales £11,270,257 (1978: £9,589,202).
- Group Profit before tax £1,393,805 (1978: £1,256,472).
- Final Dividend 5.5%, making 9.6875% (1978: 9.6591%) for the year.
- Earnings per share 13.61p (1978: 10.49p).
- Export sales £1,417,462 (1978: £1,174,401).

The year ahead: The currently high interest rates allow us to utilise our substantial cash flow to the best advantage. Our order books are in a healthy position and sales very satisfactory. Present trends signify that unless there is a serious down-turn in the economy, our half-year results should be as planned, with promise of a satisfactory final result.

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane, London EC3R 8EB Telephone 01-421 1212

1979-80	Company	Price	Change	Divs	Yield	P/E
96	Airprong	81	+2	6.7	11.0	3.61
97	Armstrong and Rhodes	34	-3	3.8	11.2	2.21
98	Bardon Hill	280	-	13.8	4.9	8.21
99	County Cars 10.7% Pl.	78	-	15.3	18.9	-
100	Deborah Ord.	53	+1	5.0	5.4	10.2
101	Frank Hargill	120	-	7.5	6.5	9.2
102	Frederick Parker	85	-	12.8	13.5	4.41
103	George Blais	104	-	16.5	15.8	-
104	Jacques Group	75	+2	8.0	8.0	2.91
105	James Burroughs	105	-	7.2	6.9	8.2
106	Unilock Holdings	300	-	31.2	10.4	8.61
107	Twinlock Ord.	222	-	14.3	6.4	5.81
108	Twinlock 12% ULS	13	-	0.8	6.5	2.51
109	Unilock Holdings	78	-	12.0	15.8	-
110	Unilock Holdings	48	-	2.8	5.4	10.2
111	Unilock Holdings	45	-	-	-	8.6
112	Unilock Holdings	92	-	4.4	4.7	8.1
113	W. S. Yeates	210	-	12.1	6.9	3.41

† Accounts prepared under provisions of SSAP 15.

Companies and Markets

UK COMPANY NEWS

De La Rue expands by  
£10m and pays 19.8p

Parkland  
Textile  
downturn

A SECOND half increase from £13.38m to £19.54m has lifted the taxable surplus of De La Rue Company, security printer, electronic equipment supplier, to a record £36.54m for the year ended March 31, 1980, against £26.6m, on turnover expanded by some £38m to £158.5m.

Sir Arthur Norman, chairman, says that under current trading conditions it must be expected that margins in the UK operations will come under pressure in 1980/81, but the group will benefit from the spread of its operations and associates overseas.

The directors are looking for further satisfactory progress, he adds, and the company is well placed to preserve both its financial strength and its position in the group's various markets.

Stated yearly earnings per 25p share are 80.3p compared with 51.3p, and the dividend is stepped up to 19.8p (19.87p) net with a final payment of 13.2p.

Turnover and trading profits, which amounted to £26.7m (£19.4m) after central management and service charges, were split as to: security printing, transport and ancillary services £120.4m (£91.5m) and £20.1m (£13.3m), and Crosfield Electronics £38.1m (£28.3m) and £6.6m (£5.1m).

Exports to third parties were over £90m, some 68 per cent of UK turnover, and the group has been affected by strong sterling and escalating UK domestic costs, more than most, the chairman says.

"It therefore has a greater incentive than most to solve the problems arising, and can report

order books in a generally healthy state at the start of the new financial year," Sir Arthur states.

Total exports were £102.3m (£74.6m).

Profits for the year included interest receivable of £3.55m (£1.52m), and associates' profits of £5.16m (£2m), and were subject to tax of £12.96m against £8.53m.

After minorities of £625,000 (£500,000) and an extraordinary debit of £1.58m (£400,000), the attributable balance came out at £21.38m compared with £19.16m.

Dividends absorb £9.15m (£4.24m) leaving the retained surplus at £12.23m (£14.92m).

Trading profit/sales margins rose from 18 per cent to 19.3 per cent.

The directors say that adverse movements in exchange rates have reduced profits by some £2m.

Nearly every one of the company's activities showed an improvement, and the year's advance is therefore very broadly based, Sir Arthur states.

The UK-based banknote and security printing business of Thomas De La Rue did well in difficult market conditions, and the overseas side produced excellent results.

Crosfield Electronics maintained its growth rate, as did Security Express, and De La Rue Systems—formerly De La Rue Crosfield—showed improved figures.

"Our activities are now much more widely spread, and this should have the effect of reducing our vulnerability to uncontrollable events in any particular market," the chairman says.

Capital investment was down slightly at £7.6m but a higher level of expenditure is expected in the current year, "probably in the order of £15m," Sir Arthur states.

Expenditure on research and development rose by £1.1m to £4.4m, and he says a considerable number of new products has been launched in the past 12 months.

Of the several investments the group made during the year the chairman says the most important included the establishment of a joint venture company in partnership with LogElectronics Inc. of the U.S., the acquisition of the U.S. distributorship of MAGNASCAN Colour Scanners, and the establishment of a joint venture in partnership with the Royal Mint for the sale of minting knowhow and equipment.

Agreement was reached for the group to acquire a third of the equity of a Swiss company which is to be set up by SICPA SA of Lausanne, to manufacture and supply specialised security inks to the group's banknote and security printing units.

Group balance sheet shows that the UK and overseas, decreased from £13.6m to £8.6m—bank balances totalled £40.4m (£35.3m).

Stocks at the year end were valued at £28m, an increase of 16 per cent. Reserves and undistributed profits showed a rise of £12.5m to £81.8m.

Shareholders funds stood at £107.36m (£94.81m) before goodwill of £4.8m (same).

On a CCA basis profits were reduced by £9.3m to £27.2m.

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Scotcross over £2m mark

Hawley Leisure

SALES OF the food, packaging and transport concern, Scotcross, increased from £29.43m to £35.53m for the year ended March 31, 1980, and reflecting greater operating efficiency, pre-tax profits were raised by 45 per cent from £1.46m to £2.12m. Every company in the group contributed to these improvements.

When announcing first half profits ahead at £0.95m (£0.53m), the directors said the second half result was expected to be comparable with that then reported. In the event, profits in the latter period were £1.16m (£0.93m).

A final dividend of 3.115p makes a net total of 5.075p, compared with a forecast of 4.62p with the June 1979 rights issue, and the previous year's 3.657p.

Earnings per 25p share are shown as 23.6p (21.2p), on the actual tax charge, or as 18.9p (13.4p) on a notional tax charge, or 22.9p (17.5p) fully diluted.

Trading profits rose from £1.72m to £2.39m, before interest of £277,000 (£261,000) and were split between—food £880,000 (£956,000), packaging £771,000 (£824,000), transport £179,000 (£87,000) and overseas £363,000 (£370,000).

Trading conditions throughout Western Europe became progressively more difficult during the year, and from February 1980 those group companies using steel and tin plate began to feel the effects of the national steel strike.

Although the dispute ended in March, adverse effects continue to be felt and the directors say it may be some months before normal trading conditions return in the companies concerned.

The group is continuing its policy of capital investment to achieve greater manufacturing efficiency and to widen existing product ranges. Further investment planned for 1980-81 is in excess of £2.5m.

Tax charge for the year rose from £178,000 to £441,000. There were extraordinary credits of £3,000 (£232,000 debits) and after minorities goodwill and preference dividends, profits attributable to ordinary holders jumped almost 51m to £1.6m. Ordinary dividends absorb £355,000 (£192,000).

comment

Scotcross has surged ahead on all fronts, especially in finance, to achieve a 45 per cent increase in pre-tax profit. Animal feed has been selling well because of unfavourable weather in Scotland and the group's down market wines and spirits stand up well against the drop in disposable incomes. The tin packaging and tractor body manufacturing divisions have been hurt by the confusion caused by the steel strike but the French operation raised its profit contribution by more than half despite foreign exchange movements.

The group's exports, mainly to France, also defied the exchange barrier, more than doubling to £1.4m. Confident of finding further sales opportunities in France and Germany, the company is speeding £2.5m this year to improve the efficiency of its plants. The 5.8 per cent yield and fully taxed p/e of 10 at 125p seem to discount the likelihood that profit growth this year will be modest.

Anglovaal Group

Declaration of Dividends  
Mining Companies

Dividends have been declared payable to holders of ordinary shares registered in the books of the undermentioned companies at the close of business on 27 June 1980. The dividends have been declared in the currency of the Republic of South Africa. Payments from London will be made in United Kingdom currency and the date for determining the rate of exchange at which the currency of the Republic will be converted into United Kingdom currency will be 7 July 1980, or such other date as set out in the conditions subject to which the dividends are paid. These conditions can be inspected at the registered office or office of the London Secretaries of the companies. Warrants in payment of the dividends will be posted on or about 1 August 1980. The transfer books and registers of members of the companies will be closed from 28 June to 4 July 1980, both days inclusive. All companies mentioned are incorporated in the Republic of South Africa.

NAME OF COMPANY	Dividend declared	Total for financial year	Notes
	Number	cents per share	
Final dividends—year ending 30 June 1980			
Anglovaal Consolidated	60	110	150
Anglovaal Consolidated	49	725	1 025
Anglovaal Consolidated	16	123	173
Anglovaal Consolidated	69	30	0

1. The dividend takes into account the utilisation of loans totalling R2 250 000 at fixed capital cost.

2. The estimated profit for the year is R22 557 000 (1979: actual R8 743 000). Amount absorbed by dividends is R22 525 000 (1979: R8 723 000).

By order of the boards

ANGLO-TRANSVAAL CONSOLIDATED INVESTMENT COMPANY, LIMITED

Secretaries

per: E. G. D. GORDON

3 June 1980

Registered Office:  
Anglovaal House  
56 Main Street  
Johannesburg 2001  
London Secretaries:  
295 Regent Street  
London W1R 8ST

TYSONS (CONTRACTORS) LIMITED

Results for the year ended  
31st December, 1979

	1980	1979
	£	£
Group Turnover	14,241,349	10,548,214
Group (Loss)/Profit before Taxation	(362,994)	211,360
Taxation	(46,655)	78,030
Group (Loss)/Profit after Taxation	(316,339)	133,330
Minority Interests	(5,050)	-
Dividend	(311,289)	133,330
Retained in Group	(417,164)	27,455
Earnings per Share	(6.23p)	2.67p

The Annual General Meeting of the Company will be held at the Atlantic Tower Hotel, Chapel Street, Liverpool, on the 27th June, 1980.

The proposed First and Final Ordinary Dividend will be paid on the 1st July 1980 to Shareholders on the Register at the close of business on the 16th June 1980.

“1979 was another busy year with  
further overall growth in the Group”

TOM PRENTICE—CHAIRMAN, HARRISONS & CROSFIELD, LIMITED

Summary of Results

for the year ended 31st December 1979  
(Subject to Audit)

	1979	1978
	£'000	£'000
GROUP PROFIT BEFORE INTEREST AND TAXATION	63,861	54,330
GROUP PROFIT BEFORE TAXATION	58,375	52,379
GROUP PROFIT AFTER TAXATION (before Exchange & Extraordinary Items)	31,846	28,491
EARNINGS FOR ORDINARY SHAREHOLDERS (before Exchange & Extraordinary Items)	27,945	23,567
ATTRIBUTABLE TO ORDINARY SHAREHOLDERS (after Exchange & Extraordinary Items)	25,714	23,239
EARNINGS PER ORDINARY SHARE	58.2p	52.8p
DIVIDENDS PER ORDINARY SHARE	28.00p	24.03p

PLANTATIONS

Operating Profit £29.5m (1978 £27.7m).

Higher rubber and palm oil prices were partly offset by lower cocoa prices. Further sizeable increases in yields per acre and also in cash returns appear capable of achievement. All this provides attractive scope for improved future earnings, albeit at a pace consistent with good agricultural husbandry.

CHEMICALS AND INDUSTRIAL

Operating Profit £3.6m (1978 £3.6m).

The expansion in America, together with that under way at British Chrome & Chemicals, provides exciting prospects for growth. Durham Chemical Group's planned production of anhydrous aluminium chloride at Birtley widens their product range. Canadian profits continue at record levels.

TIMBER AND BUILDING SUPPLIES

Operating Profit £11.1m (1978 £6.6m).

Our timber and building supplies' operations everywhere improved upon the previous year. Increased merchandising of sheet materials and building supplies provides an important and valuable spread of activity in this division.

GENERAL TRADING

Operating Profit £5.1m (1978 £5.0m).

Our two major Companies in Malaysia surpassed by a wide margin the results achieved in 1978. Good profits were also earned by our businesses in Australia and New Zealand, while important contributions were also made by commodities, insurance and most general trading activities.

GEOGRAPHICAL DIVISION OF OPERATING PROFIT

	1979	1978
	%	%
United Kingdom	23	23
Asia	68	70
North America	4	3
Other (mainly Australia, New Zealand and Papua New Guinea)	5	4

Dividend

The Board recommend a final dividend of 20.5p per share, making with the interim of 7.5p per share, a total dividend for 1979 of 28p per share (40p per share including the related tax credit of 3/7ths). The total dividend for 1978 was 24.03p per share (34.74p per share including the related tax credit).

Prospects

Chemicals Division opened the year at an acceptable profit level, although the weakness of United Kingdom demand and the continuing problem of low returns from exports are a concern for the remaining part of the year. Our Plantations, Timber and Building Supplies Division and our major General Trading operations have made a good start in 1980. Profits from these activities in the first quarter show a useful increase and overall we expect 1980 to be another satisfactory year.

Harrisons & Crosfield



## SIEBENS OIL & GAS (UK) LIMITED

At an Extraordinary General Meeting held on June 3rd, 1980, it was resolved:-

To change the name of the company to

## SOVEREIGN OIL & GAS LIMITED

(the name to be adopted on receipt of confirmation from the Registrar of Companies)

To sub-divide each ordinary share of £1 each into 4 ordinary shares of 25p each

### SHARE CAPITAL

#### Authorised

£10,000,000 in 40,000,000 ordinary shares of 25p each

#### Issued

£9,000,000 in 36,000,000 ordinary shares of 25p each

14 Waterloo Place, London SW1Y 4AR

# EIS

(Electrical & Industrial Securities Ltd)

Process, Mechanical and Aircraft Engineers

At the Annual General Meeting on June 3rd, the Chairman, Mr. Michael Walters, reported:

- \* An eighth year of performance improvement with pre-tax profits at £1.918m. and turnover at £23.204m., in spite of the difficulties of 1979.
- \* Post-tax profits at £2.199m. after a tax charge of £75,444 and an exceptional tax credit of £356,945.
- \* Increased dividend bringing total for the year to 3.75p per share.
- \* Capital investment reached a new record level at £1.1m.
- \* The Group has about £27m. of work in hand. Trading results to date support our expectations of continued improvement in Group performance.

Copies of the Report and Accounts are available from the Secretary, EIS Ltd., 6 Sloane Square, London S.W.1. Telephone: 01-730 9187

This advertisement complies with the requirements of the Council of The Stock Exchange

### RoyLease Limited

(Incorporated under the laws of Canada)

U.S. \$50,000,000 11½% Guaranteed Debentures Due 1985

Unconditionally Guaranteed by

## THE ROYAL BANK OF CANADA

(A Canadian Chartered Bank)



The following have agreed to subscribe or procure subscribers for the Debentures:  
THE ROYAL BANK OF CANADA (LONDON) LIMITED  
ORION BANK LIMITED  
WOOD GUNDT LIMITED

CREDIT SUISSE FIRST BOSTON LIMITED  
KREDITBANK INTERNATIONALE GROUP  
SWISS BANK CORPORATION (OVERSEAS) LIMITED  
S. G. WARBURG & CO. LTD.  
WESTDEUTSCHE LANDESBANK GROSZENTRALE

The Debentures, issued at 100%, less accrued interest, have been admitted to the Official List by the Council of The Stock Exchange subject only to the issue of a temporary global Debenture. Interest is payable annually on the 15th June, the first payment being made on 15th June, 1981. Particulars of the Debentures are available in the Extel Statistical Service and copies may be obtained during usual business hours up to and including 17th June, 1980, from: Kitzel & Atkins, 9, Bishopsgate, London EC2N 3AD. 2nd June, 1980.

Companies and Markets

## UK COMPANY NEWS

### Further volume growth forecast for Pentos

DESPITE THE harsh industrial and economic background, further volume growth is seen for Pentos, the industrial holding company. However, any profits advance will inevitably be affected by the very high current interest rates, and given the highly seasonal nature of group trading activities, interest costs will have a far more significant effect in the first six months, says Mr. T. A. Maher, the chairman.

"Our record in the 1970s, on most measures of performance, placed Pentos amongst the leading UK companies of the decade. We believe that our prospects for the 1980s, from a base which is now established and stable, are no less exciting," he tells members in his annual statement.

As reported March 12, higher interest charges and a very poor publishing result marred an otherwise strong performance in 1979 and pre-tax profits emerged only marginally higher at £4.08m (£4.01m).

In bookkeeping, Mr. Maher says Pentos is now clearly established as the largest retailer of serious books in the UK with 35 separate bookshops and with plans for further expansion and for margin improvement.

In publishing, the approach to 1980 is a cautious one with the emphasis on reducing investment in stock and reducing overheads, while retaining the strength to seize the opportunities which will arise in a weakened industry.

Further opportunities are seen for volume growth in gardening and in camping, but he says it is important that margins for greenhouses are re-established at a realistic level.

The group is optimistic about its medium-term prospects in engineering, particularly in overseas markets and in the UK gas industry, and believes there could be important acquisitional opportunities over the next 12 to 18 months.

In construction, the emphasis continues to be on expansion of accommodation hiring activities, where the group's increased geographic spread and the attraction of biring in a depressed economy offer encouragement.

### Barrow seeks further acquisitions

Barrow Hepburn, the diversified leather and industrial group, is "looking carefully for further acquisitions in the UK," chairman Professor Roland Smith told the annual general meeting yesterday.

The group will be "making one or two moves towards the end of this year," he said. One potential acquisition is believed to be an engineering company in the aerospace field.

On current trading, the chairman said that "in the UK, things are not easy, but we're holding our own. Overseas, the going is more difficult." Overall, he said, there were within the group "a number of points for profits growth."

### Reasonable start for Advance

THE current year has started reasonably well for Advance Laundries, and forecasts for the whole of 1980 show a satisfactory improvement, Mr. P. N. M. Ruder, the chairman, says in his annual review.

He adds, however, that as with all industry, "it becomes increasingly difficult to keep ahead of the seemingly inexorable march of inflation."

As reported on May 22, taxable profits for 1979 were a record £4.48m (£3.66m) and the dividend is increased to 2.6p (2.068p) net per share.

A revaluation of freehold and long leasehold properties, as at June 30, 1979, revealed a surplus over book value of some £2.5m. As at December 31, net current assets stood at £3.38m (£1.35m), and there was a £683,000 increase in net liquid funds, against a £536,000 decrease.

The group proposes to change its name to Advance Services to more accurately reflect the range of activities it provides.

In addition to the laundry side of the business, it is expanding new services which include, air freshening, soap dispensing, and air cleaning units.

Ultimate holding company is British Electric Traction.

### New unit linked life assurance service planned

Henderson Administration is linking up with Provincial Life Assurance Company, a member of the Provincial Insurance Group, to market unit-linked life assurance contracts.

Henderson's investment management services currently range across investment trusts, unit trusts, pension funds and charities.

It intends to start in this new field by offering a range of single premium life bonds, invested in five unit trusts managed by the group, plus four additional linked funds managed by Provincial—property, gilt, cash and managed. There will be full switching facilities between these funds.

These bonds will enable Henderson to tap the higher rate taxpayer for whom bonds offer better tax advantages than straight investment in unit trusts. But the intention is for Henderson next year to offer regular premium life contracts linked to its unit trusts and self-employed pensions invested in the group's exempt funds.

### Downturn at Atkins Brothers

A DOWNTURN in second-half profits from £523,512 to £241,336 left Atkins Brothers (Hosiery) with a lower figure of £508,924 for the year ended March 31, 1980, compared with £708,835. Turnover, however, edged ahead from £11.15m to £11.68m.

The Board is hoping for some improvement in the current year, but is not under the present depressed circumstances, attempting to make a specific forecast.

A net final dividend of 2.9p raises the total payment from 4.10p to 4.66p per 25p share. After tax of £253,904 (£350,912) net profits were down from £357,923 to £256,020.

### Kwik-Fit writes off £8m goodwill

Kwik-Fit (Tyres and Exhausts) Holdings has decided to write the substantial element of goodwill, mostly absorbed last year, out of its balance sheet.

The acquisition last June of the Corob Inter-City Properties cash shell brought in funds of £1.53m at a £487,000 premium over the assets acquired.

More importantly, Kwik-Fit paid £10.48m through the issue of 12m ordinary shares and £3.5m of short term variable rate loan stock for its major expansion effort last autumn, Euro Exhaust Centre Holdings, which was consolidated at almost 27m over net worth. Coupled with the opening balance, goodwill stands at £7.98m in the February 28 accounts.

## BIDS AND DEALS

### Drilling tools set to expand

Trading profits of Drilling Tools North Sea, for which industrial investment group ICFC has made an agreed £2.44m bid, fell from £353,000 to £308,000 in the financial year to March 31, according to figures in the formal offer document.

But Mr. Charles Noble, the director of stockbrokers Hedderwick Stirling Grimmer who is chairman of Drilling Tools, said gross profits would have been a fifth higher than the £2.44m of research and development spending of £22,000 (£11,000). Higher rental charges recently introduced for a wide range of the company's equipment would aid prospects, he said.

For 1980-81 as a whole, Drilling Tools expects a significant advance in turnover and rental income. The first orders from a North Sea operator for a new safety coupling for large diameter hoses have just been received.

ICFC through its Plumcloud subsidiary and currently controls nearly 33 per cent of the equity.

### CARTEL BLOCK ON TAKEOVER

The West German cartel office has prohibited a takeover of the British company, Eurotech Mirrors International, of Bradford, Yorkshire, by Deutsche Thurgasfabrik which is part of the West German Carl Zeiss Stiftung.

The cartel office says a merger of the two companies would lead to the dominating position of DUF "being strengthened in sales of automobile rearview mirrors on the West German market."

Eurotech Mirrors is a subsidiary of the BAT Group.

### HONGKONG AND SHANGHAI

The offer on behalf of the Hongkong and Shanghai Banking Corporation to acquire all the shares in Antony Gibbs Holdings (other than those owned by HSBC) has become unconditional. Acceptances have been received in respect of 10,798,297 ordinary shares.

Prior to the offer HSBC owned 7.7m ordinary and has not acquired or agreed to acquire any shares during the offer period. HSBC owns or has acceptances for 94.3 per cent of the AGH equity.

Acceptances of the ordinary offer by AGH shareholders electing to receive the cash alternative have been received.

in respect of 4,499,551 shares (save as stated in the May 04 Document) the cash alternative has now closed. The ordinary offer will remain open, acceptance until further notice.

The number of new HSBC shares to be issued for every 100 AGH ordinary shares is 74.

Listing has been granted by the Council of The Stock Exchange for the new HSBC shares to be issued pursuant to the ordinary offer and it is expected that dealings will commence in the HSBC share on June 30.

HSBC has received acceptance in respect of 237,500 AGH preference shares (95 per cent) and the preference offer is now unconditional and will remain open for acceptance until further notice.

### QUANTOCK IN TALKS

The Quantock Preserve Company of Bridgewater, has received an offer from the private company J. Gerber.

Quantock became a subsidiary of Robertsons Food in 1965. Quantock has been working closely with Gerber for the past two years and it has a expansionist policy which would entail increasing the value of products coming out of Bridgewater, including the thinning of fruit juices.

### J. H. FENNER

In yesterday's item on J. H. Fenner and Co. buying Stoni Hydraulic Industries of the U.S., the number of Fenner shares likely to be issued should have read 5,045,000, and not 5,945,000.

SPAIN	Price
June 3	
Banco Bilbao	210
Banco Central	228
Banco Exterior	210
Banco Hispano	208
Banco Ind. Gen.	122
Banco Madrid	140
Banco Santander	257
Banco Urquijo	150
Banco Vizcaya	215
Banco Zaragoza	200
Orpago	82
Española Zinc	61
Ferros	61.2
Gal. Pteclidos	27.5 +1.0
Hidro	66.7 +0.2
Industria	53.0 +1.5
Arrol	114
Arrol	61
Gasif	54.5 +0.5
Union Elec.	94 -3.0

# VICKERS

## 1979 Report and Accounts

Points from the Statement by the Chairman, Sir Peter Matthews, A.O.

- UK Engineering Group, despite the engineering strike, achieved a 24 per cent increase in profits.
- Howson Algraphy Group performed well with profits again exceeding £10 million.
- Roneo Vickers and Vickers Australia experienced difficulties and reported losses but remedial action has been taken.
- Accounts distorted and profits diminished by failure of Government to pay compensation for businesses nationalised in 1977.
- Agreement in principle to sell International Machines Division of Roneo Vickers to CIT-Alcatel.
- Four Queen's Awards to Industry.

### Acquisitions in 1979 included:

- Bristol Aerojet — a leader in the field of rocket manufacture
- Medelec — a world leader in electronic diagnostic equipment
- Inpac Automation — leading manufacturers of shrink wrapping machines
- Jered Industries Inc. — consolidates Vickers as world leader in ships' steering gear and stabilisers

### On Nationalisation compensation Sir Peter Matthews said:

"This has been the central theme of the Chairman's statement for five years... This saga, which must surely be unique, has been very damaging to the Stockholders of Vickers Limited. What is not always recognised, however, is the extent of the damage to our ongoing businesses, not only because of financial uncertainties, but through loss of opportunities for internal Group trading. Thus job opportunities have both been diminished and put at risk."

"We can only urge the Government to use its powers to act quickly in bringing forward an acceptable offer for our erstwhile aircraft activities and in speeding the process of arbitration of our shipbuilders' interests."

Copies of the Report and Accounts 1979 have been posted to Stockholders of the Company.

The 113th Annual General Meeting of Vickers Limited will be held at 12 noon on the 26th June 1980 at Millbank Tower, London SW1.

VICKERS LIMITED, VICKERS HOUSE, MILLBANK, LONDON SW1P 4RA



### Consolidated Results for the year ended 31st December 1979

	1979 £'000	1978 £'000
Sales	389,763	391,355
Consolidated trading profit	19,468	19,729
Investment income	187	369
	19,655	20,098
Interest payable less receivable (Note)	12,788	8,491
Consolidated profit before taxation	6,867	11,607
Share of profits of associated companies	427	94
Profit before taxation	7,294	11,701
Taxation	2,968	4,272
Profit after taxation	4,326	7,429
Loss/(Profit) attributable to minority shareholders	385	(1,116)
Stockholders' profit before extraordinary items	4,711	6,313
Extraordinary items	(1,217)	(18,254)
Stockholders' profit/(loss)	3,494	(11,941)
Dividends	4,688	4,678
Deficit	(1,194)	(16,619)
Earnings per £1 of Ordinary Stock before extraordinary items	9.9p	13.6p

Note  
Interest receivable includes £917,000 (1978 £3,503,000) in respect of interest attributable to payments on account of compensation of which £552,000 (1978 £1,402,000) relates to prior years.



## UK COMPANY NEWS

## MINING NEWS

## Kitts-Michelin queried on waste disposal

BY KENNETH MARSTON, MINING EDITOR

THE Newfoundland Government has withheld its approval for the development of the Kitts-Michelin uranium mining project in Labrador pending the receipt of further information on the venture, particularly in respect to the manner in which the waste material will be dealt with.

The Rio-Tinto-Zinc group's Biscoe holds 60 per cent of the venture and America's Commonwealth Edison power utility recently agreed to take the remaining 40 per cent. An open-pit operation is envisaged at the Kitts-Michelin deposit and an underground operation at Kitts, the project's annual production being 1.5m lbs of uranium oxide over 15 years.

Brinco agrees with the Government and the Environmental Assessment Board that the subject of waste management is highly technical and complex, but is confident that it can demonstrate that the waste management facilities will be environmentally safe and will comply with all regulatory standards.

Last year Commonwealth Edison agreed in principle to arrange financing for mine and

mill construction and to purchase up to 15m lbs of uranium oxide. Subsequently, however, the company initiated discussions for a revision of the arrangements in the light of the depressed market for uranium.

Development of the project was deferred pending an improvement in the uranium market, but it was decided to continue to secure the necessary approvals so that construction could go ahead as soon as conditions warranted.

## PROFITS SLIDE AT GUYMINE

Guyana Mining (Guymin), the state-owned enterprise, has reported a poor financial year as expected, but has high hopes of a better performance in 1980, reports our Georgetown correspondent.

Net profits in 1979 were \$5.8m, compared with \$10.7m in 1978. Sales last year reached \$58.5m, and showed a slight drop on the 1978 figure. But the company has paid \$2m in dividends to the Government, slightly more than the previous year.

The industry was hit by a

strike in January and another major stoppage in July-August. The company's situation was made worse by a relative shortage of skills and an inadequate level of spares.

## LABOUR UNREST AT STILFONTEIN

Work at one of the three shafts at the Stilfontein gold mine in South Africa stopped yesterday following unrest among 4,500 mine-workers.

But the reasons for the stoppage were not immediately apparent and, in Johannesburg, there was no inclination to link events at the mine with the wider pattern of unrest in South Africa.

The miners made no demands and gave no reasons for refusing to go underground, according to a spokesman for General Mining Union Corporation, the name now given to the parent mining house.

Output in the other two shafts of the mine was raised and the overall level of production has been unaffected.

In a generally weak market in South African mining shares yesterday, Stilfontein dropped 80p to 770p.

## BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

**TODAY**  
Interim—Camfed Engineering, Carr's Milling Industries, Camer Radiovisual Services, Grigolond Exploration and Finance, McCorquodale Murray Miner Investment Trust, Stilfontein Gold Mining, West Rand Consolidated Mines.  
Final—Allied Leather Industries, Armagosa Shanks, Sulfataraman Gold Mining, Clydesdale (Framers) Collieries, Eva Industries, Highgate, Thame's Lock, Moncheater and Metropolitan Investment Trust, Mountview Estates, Oceana Development Investment Trust, Sentrust Report, Standard Fireworks, Time Products, Trans-Met Coal Corporation.

**FUTURE DATES**  
Interim—  
Lee (Arthur) ..... June 19  
United Spring and Steel ..... June 12  
Final—  
Anderson's Rubber ..... June 13  
Bridgely ..... June 19  
British Vending Industries ..... June 8  
Convexus Stationery ..... June 11  
Oswon International ..... June 16  
Ferguson Industrial ..... June 16  
Lloyd (F. H.) ..... June 20

## Transparent Paper at £1.02m

AFTER higher depreciation of £1m against £810,483, profits before tax of Transparent Paper amounted to £1.02m in the year ended March 29, 1980, compared with £1.003m in the previous year.

When reporting first half profits up from £311,000 to £408,000, the directors said that margins continued to be under severe pressure and prospects for maintained profit could not be regarded as favourable.

Tax for the year amounted to £176,832 (£204,839) leaving net profits at £839,156 against £782,255. The final dividend is 3.75p, making a total of 5.75p, compared with 5.5p.

## HILL MINERALS N.L. (INC. IN NEW SOUTH WALES)

SALES OF CONTRIBUTING SHARES FOR THE YEAR ENDED 31 MARCH 1980

NOTICE IS HEREBY GIVEN that the sale of the shares of Hill Minerals N.L. (INC. IN NEW SOUTH WALES) will be held at the Stock Exchange of Perth Limited, Western Australia, on Thursday, 20 June 1980. Call notes should be sent to Hill's Share Registry, c/o Coopers and Lybrand, 220 St. George's Terrace, Perth, Western Australia.

London Information Office: City, London Financial Public City Relations, 42 New Broad Street, EC2M 10Y, 01-222 5514.

## NATWEST/PARIBAS

Following an agreement with National Westminster Bank, the Compagnie Financière de Paris et des Pays-Ras group (Paribas) has acquired the 20 per cent holding in Union Financière et Bancaire (Ufiba), formerly held by National Westminster.

For its part, NatWest has acquired some 2 per cent of Paribas, which now holds 90 per cent of Ufiba.

All of these securities have been sold. This announcement appears as a matter of record only.

June 8, 1980

U.S. \$25,000,000

## APACHE INTERNATIONAL FINANCE N.V.

8 3/4% CONVERTIBLE SUBORDINATED GUARANTEED DEBENTURES DUE 1995

Convertible into Shares of Common Stock of, and Guaranteed on a Subordinated Basis as to Payment of Principal, Premium, if any, and Interest by,

Apache CORPORATION

Blyth Eastman Paine Webber International Limited

E. F. Hutton International Inc.

Banque Bruxelles Lambert S.A.

Piper, Jaffray &amp; Hopwood Incorporated Morgan Grenfell &amp; Co. Limited

A. E. Aines & Co. Limited	Amsterdam-Rotterdam Bank N.V. Limited	Arnhold and S. Bleichroeder Inc. Limited	Bache Halow Stuart Shields Incorporated
Banco Commerciale Italiana Limited	Banco del Gottardo Limited	Banco Nazionale del Lavoro Limited	Bank of America International Limited
Bank Julius Baer International Limited	Bank Guizwiller, Kurr, Baugener (Overseas) Limited		Bank Moss & Hope N.V. Limited
Banque Paribas International Limited	Banque Arabe et Internationale d'Investissement (S.A.I.I.) Limited		Banque Française du Commerce Extérieur Limited
Banque Générale du Luxembourg S.A. Limited	Banque de l'Indochine et de l'Extrême Orient Limited		Banque Internationale à Luxembourg S.A. Limited
Banque Nationale de Paris Limited	Banque de Neufahr, Schlumberger, Mollet Limited		Banque de Paris et des Pays-Bas Limited
Banque de Paris et des Pays-Bas (Suisse) S.A. Limited		Banque Populaire Suisse S.A. Luxembourg Limited	Banque Privée S.A. Limited
Banque de l'Union Européenne Limited	Banque Worms Limited	Barclays International Group Limited	Baring Brothers & Co. Limited
Bergson Bank Limited	Berliner Handels- und Frankfurter Bank Limited	B.S.I. Underwriters Casanova & Co. Limited	Centrale Rabobank Girocentrale
Chemical Bank International Limited	Compagnie de Banque et d'Investissements (Underwriters) S.A. Limited		Credit Commercial de France Limited
Credit Industriel et Commercial Limited	Credit du Nord Limited	Credit Suisse First Boston Limited	Creditanstalt-Bankverein Limited
Deutsche Creditbank Limited	Dillon, Read Overseas Corporation Limited	Donaldson, Lufkin & Jenrette Limited	Dresdel Baruhum Lambert Incorporated
Effectenbank-Warburg Limited	Eurobank S.p.A. Limited	European Banking Company Limited	Robert Fleming & Co. Limited
Gefina International Limited	Antony Gibbs Holdings Ltd. Limited		Girozentrale und Bank der Österreichischen Sparkassen AG Limited
Goldman Sachs International Corp. Limited	Greenfields Incorporated Limited	Groupement des Banques Privées Genevoises Limited	Hamlyn Bank Limited
Hessische Landesbank - Girozentrale - Limited	Hill Samuel & Co. Limited	Istituto Bancario San Paolo di Torino Limited	Jardine Fleming & Co. Limited
Kieler, Peabody International Limited	Kleinwort, Benson Limited	Kreditbank N.V. Limited	Kreditbank S.A. Luxembourg Limited
Kowat Foreign Trading Contracting & Investment Co. (S.A.E.) Limited	Kowat International Investment Co. S.A.E. Limited		Lazard Brothers & Co. Limited
Lloyds Bank International Limited	Lombardini S.p.A. Limited	Manufacturers Hanover Limited	Marine Midland Limited
Merrill Lynch International & Co. Limited	R. Metzler & Co. S.A. Limited	Samuel Montagu & Co. Limited	Morgan Guaranty Ltd. Limited
Nordic Bank Limited	Sal. Oppenheim Jr. & Cie. Limited	Pearson, Holding & Pearson N.V. Limited	Rothschild Bank AG Limited
Salomon Brothers International Limited	Scandinavisk Bank Limited	J. Henry Schroder Wagg & Co. Limited	Shearson Loeb Rhoades International Limited
Smith Barney, Harris Upham & Co. Limited	Société Générale Limited	Société Générale de Banque S.A. Limited	Société Seguinose de Banque Limited
Sparbankernas Bank Limited	Strauss, Turnbull & Co. Limited	Sun Hing Kai International Limited	Svenska Handelsbanken Limited
Swiss Bank Corporation (Overseas) Limited	Union Bank of Switzerland (Securities) Limited	Union de Banques Arabes et Françaises - U.B.A.F. Limited	
Vereins- und Westbank AG Limited	J. Vontobel & Co. Limited	S. G. Warburg & Co. Ltd. Limited	Dean Witter Reynolds International, Inc. Limited
			Wood Gundy Limited

## Hemerdon begins test trials

A PILOT plant costing £900,000, to test the feasibility of commercial production at Hemerdon, is now being installed and testing of bulk sampling material has commenced, writes Stephen Thomson.

The Hemerdon project is a 50-50 joint venture between Hemerdon Mining and Smelting (UK), a subsidiary of Hemerdon Mining and Smelting Bermuda, and Amex, the diversified U.S. natural resources group.

A decision as to the commercial viability of the potential £40m open-pit mining project is expected to be made by the end of March next year and at the latest by the end of June 1981.

If the go-ahead is given, the mine will provide between 300 and 350 jobs and give the UK self-sufficiency in tungsten for the next 20 years, according to Mr. Roger Craddock, mine manager.

Hemerdon contains some 15m tonnes of ore grading 0.17 per cent tungsten trioxide (WO<sub>3</sub>) and 0.025 per cent tin (Sn).

A representative sample of 8,000 to 10,000 tonnes of ore will be tested in the pilot plant. Given a go-ahead a separate full-scale mill will have to be built and planning permission sought.

Amex officials estimate that a public enquiry into the venture will take around two years and construction of the mill between 18 months and two years. Commercial production could begin during the first half of 1985. To date exploration expenditure has reached U.S.\$7.5m (£3.2m) and could amount to between \$11m and \$12m by the end of feasibility studies.

Under the terms of the original agreement, signed in October 1977, Amex has funded all exploration and feasibility work. If full-scale production goes ahead Hemerdon will have to raise its share of the financing costs.

Mr. Carl Schwarzwald, chairman of Hemerdon Mining and Smelting, said Hemerdon's share of this is estimated at £20m. He added that discussions regarding financing had already begun.

Other hurdles to be faced before Hemerdon can be brought into production include the possible environmental effect of large-scale open-pit mining on the area and the problem of contamination of natural streams by the arsenic contained in the orebody.

Amex officials studying the possible environmental effects of the operation said that the incidence of small amounts of arsenic in local streams is natural to the area and that they are looking closely at ways of preventing any further pollution.

## NATWEST/PARIBAS

Following an agreement with National Westminster Bank, the Compagnie Financière de Paris et des Pays-Ras group (Paribas) has acquired the 20 per cent holding in Union Financière et Bancaire (Ufiba), formerly held by National Westminster.

For its part, NatWest has acquired some 2 per cent of Paribas, which now holds 90 per cent of Ufiba.

## REED INTERNATIONAL LIMITED

## Preliminary Results for Year Ended 31st March 1980

## Trading Results

Despite growing signs of world recession demand for the Group's products and services was strong for most of the year but pressure on margins was severe.

Results in Europe and North America were particularly encouraging and more than compensated for the loss of trading profit following divestments overseas in the last two years.

Exceptional costs and provisions for rationalisation charged against trading profit for the year totalled £12 million (1979: £13 million). No extraordinary items were reported (1979: £10 million loss).

Geographical Areas	1980		1979	
	Total Sales	Trading Profit	Total Sales	Trading Profit
United Kingdom	1,287	69.2	1,135	73.6
Europe	157	9.7	181	3.8
North America	250	30.1	300	14.3
Rest of World	26	(2.3)	191	15.1
	1,720	106.7	1,807	106.8

After three years of restructuring and divestment of activities not in the mainstream of the business, the Group is now based on three main product areas — paper and packaging; publishing and printing; building and home improvements.

Following the sale in November 1979 of the pulp and paper operation at Dryden, Ontario for £36 million, the principal business of Reed Paper in Canada is now the successful newsprint mill in Quebec.

All manufacturing subsidiaries in Australia and South Africa have been sold and the Company's only continuing direct involvement in these countries is in publishing.

Capital expenditure increased from £48 million to £55 million. The Kiver publishing operation was acquired in the USA and agreement has been reached to purchase the outstanding shares in London and Provincial Posters in the UK.

Publishing, packaging, building products and paint all performed well. UK paper-making margins were seriously restricted by the continued escalation of energy costs and sterling. Wall-coverings continued to suffer from excess world capacity and the UK business is undergoing a major restructuring programme.

Product Areas	1980		1979	
	Total Sales	Trading Profit	Total Sales	Trading Profit
Paper and Packaging	744	61.9	896	56.2
Publishing and Printing:				
Publishing	389	27.9	341	30.8
Newspapers	186	6.3	165	10.0
Building and Home Improvements:				
Decorative Products	280	0.7	267	3.7
Building Products	121	9.9	138	6.1
	1,720	106.7	1,807	106.8

## Finance

Net debt fell from £226 million to £115 million reducing the debt/equity ratio from 80% to 34%. Cash from the divestment programme has been used both to reduce long-term debt and to maintain a strong cash holding for maximum flexibility. The related fall in interest charges from £29 million to £11 million contributed significantly to the improvement in pre-tax profit for the year.

Exchange losses for the year were £2 million compared with £10 million last year.

## Taxation

The effective rate of UK taxation on pre-tax profit was 26% compared with 41% last year. The main reasons for the reduction were the impact of a higher level of capital expenditure and of higher stock relief on values increased by inflation. Overseas the return to substantial levels of profit and the use of accumulated tax losses in North America, reduced the rate to 18% from 49%. As a consequence the effective rate of tax has fallen from 44% to 24% of consolidated pre-tax profit.

## Earnings and Dividends

Results in brief are:

	1980		1979	
	CCA	Historic	CCA	Historic
Sales (external only)	1,516	1,516	1,611	1,611
Trading Profit	50	107	53	107
Profit before Tax	55	100	45	83
Profit attributable to Shareholders	30	75	6	43
Total Funds Employed	845	729	914	766
Earnings per Share	27p	67p	5p	38p
Dividends per Share	13p	13p	8p	8p

Having taken account of the progress made with the restructuring of the Group and the improvement achieved in earnings in both historic and current cost terms, the Board has decided to recommend a final dividend of 9p per share. Together with the interim of 4p already paid the proposed final dividend will make a total of 13p per ordinary share for the year compared with the 8p paid last year.

Subject to approval at the Annual General Meeting, which will be held on 30 July 1980, the final dividend will be paid on 12 August 1980 to Shareholders on the register on 1 July 1980.

## Consolidation of Overseas Results

The 1980 results are for 52 weeks to 31 March 1980 both for the UK and overseas. The comparative figures for 1979 include overseas results for the year to 31 December 1978. Overseas results for January to March 1979 were: Sales £94 million and Profit attributable to Shareholders £4 million.

## PRELIMINARY CONSOLIDATED PROFIT STATEMENT (unaudited) for the year ended 31 March 1980

	1980	1979
	£ million	£ million
SALES	1515.7	1610.9
United Kingdom and Exports	1120.2	968.5
Overseas	395.5	642.4
TRADING PROFIT	106.7	106.8
SHARE OF PROFITS OF ASSOCIATED COMPANIES	3.7	5.5
OPERATING PROFIT	110.4	112.3
United Kingdom	71.4	75.9
Overseas	39.0	36.4
INTEREST	(10.5)	(28.9)
PROFIT BEFORE TAXATION	99.9	83.4
TAXATION	(23.8)	(36.3)
United Kingdom	(16.4)	(25.5)
Overseas	(7.4)	(10.8)
PROFIT AFTER TAXATION	76.1	47.1
OUTSIDE SHAREHOLDERS' INTERESTS	(1.4)	(4.4)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS BEFORE EXTRAORDINARY ITEMS	74.7	42.7
EXTRAORDINARY ITEMS	—	(9.6)
PROFIT AFTER TAX AND EXTRAORDINARY ITEMS	74.7	33.1
DIVIDENDS paid and proposed		
Preference	0.2	0.2
Ordinary 1980-13p per share (1979 8p per share)	14.5	8.9
PROFIT RETAINED	60.0	24.0
EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEMS	66.7p	38.0p

## CONSOLIDATED BALANCE SHEET (unaudited)

	1980	1979
	£ million	£ million
FUNDS INVESTED		
Shareholders' Funds	495	434
Outside Shareholders' Interest	18	21
Loan Capital	216	511
	729	766
FUNDS EMPLOYED		
Properties and Plant	229	274
Investments	27	28
Goodwill	160	153
Working Capital	212	226
Net Cash Deposits	101	85
	729	766



## STOCK EXCHANGE TURNOVER IN MAY

## Improvement in equities, gilt-edged decline

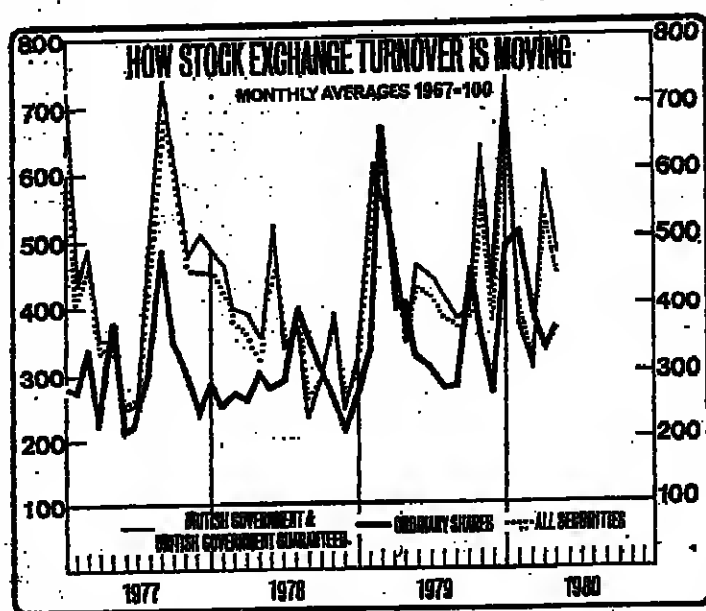
BY NIGEL SPALL

A FALL in business in gilt-edged securities last month led to an overall decline in Stock Exchange turnover compared with April. Total turnover in May, at £14.64bn, was down £2.45bn, or 14.3 per cent. The FT Turnover index for all securities fell from April's 523.7 to 448.5, still above the 1979 monthly average of 431.5.

Sterling's strength continued to attract foreign funds to gilts but, hopes of an early reduction in Minimum Lending Rate receded, domestic interest lessened and business in British Funds slipped by £2.71bn, or just over 19 per cent, to £11.4bn, of which the shorts accounted for £6.87bn. Trade in other Government securities amounted to £4.52bn, a fall of £0.9bn, or nearly 17 per cent. The number of bargains done in the Funds, however, increased by 3,280 to 86,329, with deals in the short 2,450 higher at 35,162. Bargains in the long and irredeemables improved by 830 to 51,167. The FT Turnover index for Government Securities fell to 482.0 from April's 506.9, still above the 1979 average of 454.8.

Business in equities improved slightly last month, but sentiment overall remained drab as investors held off in the face of a round of gloomy economic predictions.

Equity turnover improved



£0.1bn to £2.02bn, or 7.7 per cent, while the average value per bargain increased slightly to £6,992. The FT Turnover index for Ordinary Shares rose to 381.0 from April's figure of 355.2, but the number of bargains declined by 21,027 to 298,271.

Share prices of the miscellaneous industrial leaders drifted progressively lower during May with sterling's adverse effect on export profit margins being one of the main

deterrents to investment. From an end-April level of 440.4, the FT Industrial Ordinary Share index gave up 24.5 points to 415.9.

Increased tension in the Middle East and South Africa prompted renewed buying of gold and the bullion price closed the month \$21 an ounce higher at \$535.4. This found deflation in South African gold shares and the FT Gold Mines index finished the month 31.4 points higher at 332.8.

Category	Value of all purchases & sales £m	Total %	Number of bargains	Total %	Average value per day £m	Average value per bargain £	Average number of bargains per day
British Govt. and British Govt. guaranteed:							
Short dated (having five years or less to run)	6,870.8	47.0	35,162	8.4	243.5	195,405	1,758
Others	4,517.7	30.9	51,167	12.2	225.9	88,291	2,558
Irish Governments:							
Short dated (having five years or less to run)	542.3	3.7	1,493	0.4	27.1	363,287	75
Others	276.0	1.9	2,771	0.7	13.8	99,623	139
UK Local Authority:	239.5	1.6	8,057	1.9	12.0	29,730	403
Overseas Government Provincial and Municipal	18.1	0.1	1,673	0.4	0.9	10,821	84
Fixed Interest Stock Preference and Preferred Ordinary shares	149.8	1.0	29,729	7.0	7.5	5,038	1,486
Ordinary shares	2,023.2	13.8	289,371	69.0	101.2	6,992	14,468
Total	14,637.3	100.0	419,423	100.0	731.9	34,899	20,971

\* Average of all securities

## Pottery industry sickness reveals classic symptoms

BY PETER CARTWRIGHT

BRITAIN'S POTTERY manufacturers are bracing themselves for the worst recession to hit the industry since World War II. But although they are disappointed at having to introduce short time on a wide scale and postpone new investment, they are not dismayed. They have been through this kind of cycle before and emerged even stronger.

Nevertheless, the prospect of a flat 18 months before things are likely to improve is a dismal one. And 18 months is, by common consent, the time it will take to travel through this particular economic valley. Also, because of the way in which they have been affected by Government policies at both ends of their business—through inflation-priced raw materials and the effects of a strong pound in their chief export markets—the classic 18-month period is to a large extent their forecast of how long it will take to recover from present difficulties.

Even though they were unable to gauge the severity of the present crisis, pottery manufacturers have been aware of the possibility of recession for a considerable time. Most thought the real squeeze would come in the last quarter of 1979: that it is only now beginning to hurt really hard is due more to their efforts at postponing the evil day than to any economic let-up.

## EEC sales

The manufacturers were already beginning to look more seriously at the European market before the oil crisis of 1973-1974 and a strong pound began to transform their traditional markets in the U.S. and Canada. Since 1976, earthenware manufacturers have doubled their shipments to the Common Market. By last year it accounted for some 25 per cent more than the combined markets of the U.S. and Canada.

The overtaking year for European exports was 1978, when sales in the EEC countries were just short of £30m. Only just over £1m extra sales were, however, notched up in 1979 while business in the U.S. slumped from £16.3m to £12.5m, and sales in Canada declined from £15m to £11.1m. The lorry drivers' strike, which resulted in the loss of millions of pounds worth of exports and filled warehouses, was another negative factor in a period of increasing difficulty.

Earthenware tableware is the volume end of the business, accounting for £74.5m exports in 1979, and it is the volume business which has been hardest hit, since price rather than quality is the criterion for sales.

Circumstances have dealt more kindly to that unique product, English bone china. Since 1977 exports by value to the U.S. have increased by more than £24m to almost £12m, and to Canada by a third to more than £13m. In the same period, bone china exports to EEC countries have almost doubled at £12.2m, a very remarkable achievement by any standards. It shows a responsiveness to changing markets and a marketing expertise that few other UK industries can match. Other sectors, though not all, have been similarly successful. Ornamental ware makers, for instance, have more than doubled exports worldwide in the past two years to nearly £18m.

Of course, value figures incorporate the effects of inflation, but the industry has been making progress in most sectors excepting electrical porcelain. It has, therefore, been all the more galling to see such hard won improvements in performance negated by the twin evils of inflation and an artificially strong pound.

Predictably, as already indicated, it has been the lower-priced volume producers of the tableware that have felt the downturn first. Volume china ware makers have been affected more patchily. And the limited edition, specialist studio potteries making animals, birds, floral pieces and other pieces from £22 to £21,000 each are still as busy as ever, with some even expanding.

In the Potteries some 3,000 workers have lost their jobs and more than 5,000 are on short time—almost equally divided between men and the women who do the decorating. This means that 10 per cent of the labour force are losing a day or two days a week, and getting them back into full-time work is going to be extremely difficult, given present conditions.

In the past three years inflation at home and a strengthening pound has, one potter estimated, added 50 per cent to the price of his wares in the U.S.—enough to slice off much of the market. "We are concentrating on those markets whose economies are still strong and where we have a better chance of progressing," he said. "We are, for instance, expanding quite well in Japan after a decade of hard work. Nevertheless, the U.S. is still our most important market, and likely to remain so."

"The pottery industry obtains no compensating benefit from the strong pound. All but a small percentage of its raw materials are indigenous, and these have increased in cost by 25 per cent in the last three years. A sanitary ware maker pointed to the "frightening" pace at which gas, the Potteries' main fuel to fire the kilns in which pottery is made, has been shooting up in price—by 800 per cent in four years. "It is playing havoc with our costs," he said. "Fuel as an element has doubled to 8-10 per cent and further rises are on the way. Markets just won't stand for this kind of increase."

Gas prices are a particularly sore point in the industry. It is pointed out that potters are paying between 25-30p a therm, depending on individual contracts, while householders are paying 19.3p. And while the Gas Board has a statutory duty



A craftsman at work on a Royal Doulton figurine—one of the areas of the industry least affected by the present recession

## MAIN MARKET CHANGES

	1977	1978	1979
CHINA TABLEWARE			
U.S.	9.2	13.06	11.9
Canada	10.0	11.6	13.3
EEC	7.1	9.6	12.2
EARTHENWARE			
U.S.	15.1	16.3	12.5
Canada	11.3	13.0	11.7
EEC	22.7	29.6	30.7

## UK POTTERY EXPORTS

	1977	1978	1979
China Tableware	37.0	45.5	50.6
Earthenware	67.5	76.8	74.5
Ornamental Ware	8.8	13.2	18.9
Sanitary Ware	22.2	19.1	13.6
Tiles (glazed/unglazed)	11.6	12.7	13.5
Electro Ceramics	11.4	9.6	10.4

to connect homes and factories if within 25 yards of a main, the factory obligation is meaningless, since its restricts the duty to supply to 25,000 therms annually.

The industry feels very strongly that it is being unfairly treated. "Outrageous," is the way Mr. Anthony Wade, president of the potters' federation, describes the situation. Sandwiched between these opposing pressures is a substantial wage claim from the labour force, which currently accounts for 35-40 per cent of total costs.

The claim, say the employers, is equivalent to a rise of between 25 and 40 per cent when everything has been taken into account, including a reduction from 40 to 37½ hours a week. The Ceramic and Allied Trade Union, on the other hand, argues that it is much more in line with the 20 per cent settlements in other industries. Luckily, industrial relations within the industry are among the best in the country and, as in other years, a sensible compromise is expected.

Apart from seeking new markets the industry is also fighting back on the home front. The sanitary ware people are following the example of the kitchen equipment makers and trying to persuade householders to modernise their bathrooms. The recently formed British Bathroom Council is spending £500,000 in newspaper and TV advertising extolling the virtues of baths and showers with the light-hearted theme: "Does your bathroom make you feel like sinking?" A similar spirit of determination is also evident on the manufacturing side. After the Interpace corporation subsidiary Myott-Meakin lost £1.5m

in the last financial year, the future of its three potteries, 700 employees, looked precarious. Since Abrahams, Birmingham, with 81 per cent and the Towle Corporation with 19 per cent acquired Myott-Meakin and brought new outlets into play (Towle is a distributor) the situation has changed dramatically. "We have picked up so many orders we are beginning to be worried about our capacity and indeed to think about expansion," a spokesman said. Operations on the Hanley site now look much more assured and the possibility of more than 300 jobs being saved more hopeful.

## Subsidies

Nevertheless, the industry has never been more vulnerable. On top of all its present worries is the spectre of increasing imports from low cost countries and others where hidden subsidies are given to exporters.

Last year, for example, imports of ornamental ware amounted to £28m—£7m more than UK exports. In Taiwan there are 250 ornamental ware makers, while Korea's sector of the industry is twice the size of the UK's.

Imports from Taiwan are growing fast and are already up to £5m a year. This is the most serious threat from overseas. But sanitary ware makers are also feeling the effect of cut-price competition, with imports from Italy (regarded as a flagrant case of subsidisation) running at £250,000. Some 20 per cent of the UK tiles market is now held by foreign manufacturers and again Italy is identified as one of the biggest exporters. Having seen the motor and other industries

succumb to foreign competition it is understandable that the pottery industry is "anxious at the effect of such competition when it feels it is fighting with one hand tied behind its back because of the effect of the strong pound on exports."

Despite current difficulties the UK industry is not advocating import controls. Twenty years ago when manufacturers were faced with the possibility of a Japanese invasion of the tableware market while they were concentrating on building exports, industry-to-industry talks were started, and blossomed into a voluntary system of control by the Japanese geared to the expansion of the market.

Mr. Sam Jerrett, director of the British Ceramic Manufacturers' Federation, who successfully concluded the Japanese agreement, has recently been to Taiwan and Korea on a similar mission. He is convinced that the only lasting way to reach amicable agreements is by such industry-to-industry negotiations.

"The whole of the consumer market is running into import problems," he pointed out. "They are not going to be cured by import controls. What is wanted are import regulations, like those we have negotiated with Japan."

In this connection the industry noted with exceptional interest the views of Mr. Cecil Parkinson, Minister of State, Department of Trade, when he stated: "While there is no prospect of reducing imports, we will have to pay particular attention to securing acceptable rates of growth."

The pottery industry would like to hear more such indications of governmental interest.



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## LEGAL NOTICES

NOTICE OF MEETING OF CREDITORS Pursuant to Section 283 Companies Act, 1948.

Name of Company: DRIPKARN LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 283 of the Companies Act, 1948, that a meeting of the Creditors of the above-named Company will be held at 40 Highgate West Hill, London N6 6LU, on Thursday, the 19th day of June, 1980, at 11.30 o'clock in the forenoon, for the purpose of having a full statement of the position of the Company's affairs, together with a List of the Creditors of the Company and the estimated amount of their claims, laid before them, and for the purpose, if thought fit, of nominating a Liquidator and of appointing a Committee of Inspection.

Notice is also given that, for the purpose of voting, Secured Creditors must (unless they surrender their security), lodge at the Registered Office of the Company at Suite 404, London International Press Centre, Shear Lane, London EC4A, before the Meeting a Statement giving particulars of their security, the date when it was given, and the value at which it is assessed. Demand this 27th day of May 1980.

By Order of the Board of Directors, GREGORY NEIL DAVY THAIN, Director.

## PUBLIC NOTICES

GLASGOW DISTRICT COUNCIL. Nine pounds 4.00 £5.00 at 10.5/64-4-1/2. 2.00. 4.00. 6.00. 8.00. 10.00. 12.00. 14.00. 16.00. 18.00. 20.00. 22.00. 24.00. 26.00. 28.00. 30.00. 32.00. 34.00. 36.00. 38.00. 40.00. 42.00. 44.00. 46.00. 48.00. 50.00. 52.00. 54.00. 56.00. 58.00. 60.00. 62.00. 64.00. 66.00. 68.00. 70.00. 72.00. 74.00. 76.00. 78.00. 80.00. 82.00. 84.00. 86.00. 88.00. 90.00. 92.00. 94.00. 96.00. 98.00. 100.00.

NOTICE TO HOLDERS OF Honda Motor Co., Ltd. (HONDA GIKEN KOGYO KABUSHIKI KAISHA)

5% per cent. Convertible Bonds 1980

Pursuant to Condition 5(C)(ii) of the above Bonds, notice is hereby given that, because of the conversion of the Bonds into Common Stock in Japan, the conversion price of the Bonds was adjusted effective as of June 1, 1980, to 100 yen from 100 yen 500 per share of Common Stock to 100 yen 500 per share of Common Stock.

Honda Motor Co., Ltd. By: The Bank of Tokyo-Mitsubishi Bank as Trustee

June 4, 1980

This advertisement complies with the requirements of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland.

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The Gulf Bank KSC  
The Industrial Bank of Kuwait KSC

The 10,000 Notes of \$5,000 each to be issued at 100 per cent, have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the Notes.

Particulars of the Notes are available in the Extel Statistical Service and may be obtained during usual business hours up to and including 18th June, 1980 from the brokers to the issuer—

Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN

4th June, 1980



## UK COMPANY NEWS

## MEPC uplift from new lettings &amp; reversions

BY MICHAEL CASSELL

IMPROVED income from new lettings and reversions helped MEPC to report a 10% increase in pre-tax earnings of £1.7m for the year ended March 31, 1980. The property development group, which reports total income for the period of £31.3m against £28.2m last year, says the earnings of £1.7m (£1.2m) were made after charges of £1.1m (£1.2m) and the transfer of £2.2m (£1.9m) to an amount equivalent to interest on development properties. A further £1.7m (£1.5m) is accounted for earnings per share for the first half are stated at 3.7p against 3.3p and 3.8p (£2.5p) fully diluted. Present indications suggested second-half earnings per share will be of the same order.

According to the directors, the uplift in earnings has come from three principal sources. Income derived from reviews of existing leases throughout the company's mixed investment portfolio has grown, while lettings of newly developed properties have made good progress. In addition, income arising from proceeds of the June 1979 rights issue, together with the reduction in interest payable on the 5 per cent convertible loan stock, was converted in February this year into

27.6m ordinary shares—has helped the earnings picture. Almost 85 per cent of the space in the 415,000 sq ft Sydney Exchange Centre is now occupied and producing income while the Eurakus scheme in Frankfurt is fully let. The 400,000 sq ft Manhattan Centre in Brussels is now over 80 per cent occupied. In the U.S., the final phase of the Parkside development in Minneapolis has been let as soon as space becomes available and is expected to be fully income producing by the year end. Banque Nationale de Paris is to take 27,000 sq ft of new Ardillon Centre due for completion in Dublin in late 1981.

MEPC says that, since December, the company's capital investment programme has not been extended significantly. In the UK, the current programme of development is proceeding "on time and more or less on cost" and is continuing within the limits which the company has carefully set down. The Guildford and Oxford Street developments are both expected to be completed early in 1981.

The company, which currently holds around 70 per cent of its asset value in the UK with the remainder overseas (and sees a rather lower proportion of its income coming from overseas),

says that the comparative strength of sterling has had a marginally adverse effect on overseas income. The impact had been minimal because of its tendency not to repatriate funds but the position was likely to encourage the expansion of the company's direct operations in the North American market.

## 'Sizeable drop' seen at Bentalls

AFTER A reasonably good start to the current year in February and March, Mr. J. D. Spooner, chairman of Bentalls, told members at the annual meeting that sales in April and May had been very disappointing, and he expected a "sizeable drop" in first-half profits.

He added that directors of this department stores group were making every effort to keep expenses in line with their projected turnover, but even so it was unlikely the company would match last year's results. Pre-tax profit for the first half of 1979-80 was £964,000 out of a full year figure of £2.25m.

## Unexciting start for UDS

SALES GROWTH in the first quarter at UDS, the stores group, is described as "unexciting" by Mr. Bernard Lyons, the chairman, in his annual report. He warns that first half profits may be lower, but the company is looking for improvement in the second six months and expects to turn in a satisfactory full-time result.

Meanwhile, the group has decided, in the light of economic conditions and high interest rates, to reduce the pace of its department stores development programme though its ultimate expansion plans here remain unchanged. At February 2 future capital spending commitments overall were down from £12.02m to £4.41m of which £2.7m (£3.59m) had been authorised but not contracted.

Mr. Lyons points out that a revaluation of the 178 retail shops and other properties held by Van Allen at the time of its acquisition, for £16.5m, by UDS in August last year, has been professionally revalued at £18.78m.

Since acquisitions 14 Van Allen shops have been transferred to the group's other multiple chains where a significant sales increase is already being seen. A further 16 non-profitable shops have been closed and sold for more than book value and the business, which was trading at a loss under previous ownership, has produced a small trading profit in the 19 weeks since its takeover.

Group balance sheet shows After meeting the cost of acquisitions, capital expenditure requirements and the increase in working capital, the group's total net borrowings were down some £21.5m to £43.66m. To maintain maximum liquidity during the current period of high interest rates UDS has entered into sale and leaseback arrangements a small number of its freehold properties.

Towards the end of last year the directors decided to close the furniture business of James Grant and Co. (West) in Scotland and Grange Furnishings in the south east. Operating from 39 shops, many of which were too small for their particular trade, these businesses had combined sales of only 2.5 per cent of group turnover with a cyclical profit history.

These closures will be completed by mid-summer 1980.

As known, the group's taxable profit, shipped to £24.12m (£27.32m) in the 53 weeks to February 2, 1980, on sales of £445m (£286m). The net dividend is raised to 8.21p (£6.45p).

During the year there was a net inflow of £11.57m (£6.76m). Sales at John. Myers Mail Order were 15.5 per cent higher but heavy investment in agency growth has meant only modest profits for the past three years. Results for last year fell short of target but a better return is now sought as costs level out, Mr. Lyons says.

## Save &amp; Prosper Linked higher

Taxable profit of Save and Prosper Linked Investment Trust rose from £447,023 to £548,090 for the half year to March 30, 1980. The net balance was ahead £70,032 to £382,096 after tax of £166,004 against £134,696.

## RESULTS AND ACCOUNTS IN BRIEF

**MARSHALL'S UNIVERSAL** (motor vehicles, accessories and paper and board products distributor)—Results for 1979. Group fixed assets £25.5m (£24.8m). Net current assets £18.48m (£12.12m). Including cash and bank balances £4.7m (£2.15m). Meeting, Bedford, June 23, noon.

**SUNDERLAND AND SOUTH SHIELDS WATER**—Results for year ended March 31, 1980, already known. Fixed assets £26.25m (£28.16m). Net current liabilities (£1.06m (£1.41m)). Increase in cash and bank balances of £7,412 (£47,488 decrease). Meeting, Sunderland, June 18, noon.

**EAST SURREY WATER**—Results for March 31, 1980 already known. Fixed assets £13.85m (£14.37m). Net current liabilities £271,000 (£287,000)—bank overdraft £210,000 (nil). Cash and bank balances decreased by £295,000 (£198,000). Meeting, Redhill, Surrey, June 20, 10.30 am.

**CHARLES TURNER INVESTMENTS**—Gross income for 1979 £15,483 (£12,582). Net income £4,010 (£1,889) after tax and expenses. Earnings per share 0.27p (0.12p).

**JOHN BAKER (INSULATION)**—Pre-tax profit for 1979 £51,377 (forecast £50,000). Dividend £28,440. ACT £12.18p. Received £10,748.

**LONDON ENTERTAINMENTS** (theatre production and management)—Pre-tax profit for six months to February 28, 1980 £25,281 (£20,383); tax £36,083 (£25,701). No interim dividend. Chairman says eight-year run of Jesus Christ, Superstar, ends in August. The Palace Theatre, London, will then be closed briefly prior to new production of Oklahoma which starts on September 17.

**BRITISH SHOPS CORPORATION** (subsidiary of Share Holdings)—Results for year ended January 31, 1980, already known. Group fixed assets £340.13m (£332.36m). Current assets £163.45m (£135.63m). Current liabilities £120.12m (£93.53m). Meeting, 40 Duke Street, W, June 24, 11.10 am.

**EVERED AND CO. HOLDINGS** (general merchandise, metal, engineering, etc.)—Results for 1979 reported May 20 with prospects. Group fixed assets £2,444m (£2.1m). Net current assets £325,254 (£1,448m). Net liquid funds £185,525 (£18,354). Meeting, Birmingham, June 20, noon.

**ESTATES AND GENERAL INVESTMENTS** (property investment and development, hotel trading)—Results for 1979 already known. Group fixed assets £13.2m (£12.83m). Net current assets £1.91m (£2.63m). Net liquid funds £28,947 (£2,060m). Chairman says company is well placed to take advantage of any improvement in conditions. Meeting, Savoy Hotel, WC, June 26, noon.

**SCOTTISH AGRICULTURAL SECURITIES CORPORATION**—Results for year ended March 31, 1980, already known.

**WETTERN BROTHERS** (construction materials manufacturer and distributor)—Results for 1979 reported May 31 with prospects. Group fixed assets £1,48m (£1.33m). Net current assets £1.01m (£1.11m). Net liquidity down £228,000 (up £41,000). Meeting, Field Halls, Crofton, June 26, 11 am.

**WEEKS ASSOCIATES** (travellers, industrial and agricultural equipment)—Results for year ended January 27, 1980, reported May 10 in full preliminary statement. Horizontal profits £41,834 (£45,788) turned into £28,781 loss (£23,841 profit) on CCA basis. Group fixed assets £2,73m (£2.48m). Net current assets £1.43m (£1.43m). Borrowings at £2.88m represent 72.7 per cent of shareholders' funds, £3.96m. On May 2, Groswood Securities held 24.0 per cent of issued share capital. Meeting, Hull, June 25, noon.

**SCOTTISH NORTHERN INVESTMENT TRUST**—Results for year to March 31, 1980, already known. Investments £34.86m (£36.61m); assets value £101.4p (£102.63p equivalent). Increase in liquidity £732,000 (£283,000). Chairman says the board continues to believe in the fundamental attractions of investment in North America and, at the appropriate time, will increase its participation. Meeting, Aberdeen, June 27, 12.15 pm.

**PETALING TIN**—Output of tin ore for May 192.38 tonnes.

**PAYANG CONSOLIDATED**—Output of tin concentrates for May 21 tonnes.

**HONGKONG TIN**—May output 54 tonnes.

## Sketchley raises profits to record £5.7m: dividend boost

FOLLOWING the rise from £2.78m to £3.32m in the first six months, Sketchley, the industrial workwear, rental, dry cleaning and textile finishing group, reports a record £5.7m in the year ended March 23, 1980.

Stated earnings per share rose from 28.5p to 38.4p and as expected a higher final dividend is being recommended—the payment of 5.5p (£2.9p) lifting the total from 5.40p to 5p.

Commenting on the results, Mr. C. Wightman, chairman, said that all divisions achieved satisfactory results in a difficult year.

Although the general economic outlook for the current year is not good, sales of all divisions are ahead of the comparable period last year. Provided there is no further deterioration in the national economy, the group looks forward to a year of continued progress, the chairman states.

The group's freehold and long leasehold properties were revalued at the end of the year.

revealing a surplus of £1.07m which has been credited to shareholders' funds together with all of the balance on the deferred tax account at March 30, 1979.

After allowing for the final dividend the value of the shareholders' investment as disclosed by the group balance sheet at March 23, 1980, is some £23.5m (£25.9p per ordinary share).

The charge for interest has risen to £258,000 because of the high rates which prevailed for much of the year and because of the higher borrowings which were incurred to finance the group's continued expansion.

Borrowings at March 23, 1980, amounted to just under £8m. Adequate short and medium term facilities are available to meet the group's financing requirements, the chairman adds.

The group has now adopted SSAP 15. As a consequence of the high level of investment in fixed assets and working capital during the year the tax charge is minimal.

This is then offset by an over

provision in respect of prior years. Unrelieved ACT has been carried forward as it is expected to be recovered against the current year's mainstream liability.

Extraordinary items include goodwill arising on acquisitions £1.59m (£106,000) less the net surplus arising from the disposal of properties and other items totalling £192,000 (£59,000).

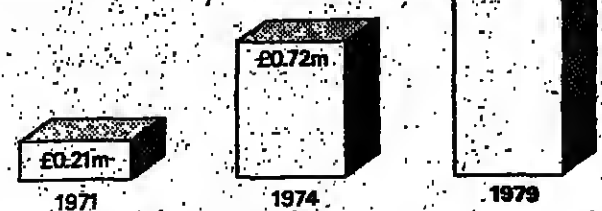
## comment

With the benefit of hindsight, Sketchley's move into industrial workwear looks increasingly clever. High street cleaners operate on heavy fixed costs and the recession is reducing volume, offset only partly by increased repair business. To counteract this trend, however, is the rising volume of the industrial division, where the National Coal Board contract holds the centre of the stage. Material purchase costs are now fully accounted for, so the NCB arrangement will be contributing a very high margin over the next few years. Growth in the industrial area has recently driven profits sharply higher but the momentum of new business is now slackening. To compensate, Sketchley is pushing into lighter commercial clothing. On top of this, it has a gearing ratio which has now peaked at 25 per cent and offers plenty of scope for acquisitions (the CFT permitting). The group's predatory eye may account for the dividend which despite a 43 per cent gross increase, is 3.5 times covered by historic earnings and, on a share price of 239p, offers a yield of only 4.9 per cent. The stated p/e is only 6.1 but the rating is distorted by an exceptional tax credit. The fully taxed multiple is 12.7.

## Packaging and industrial products.

## FRANCIS INDUSTRIES LIMITED

'Profits have increased 9 fold since 1971 and are ahead again for the first quarter 1980.'



The results for 1979 show:

- \* Pretax profits up 27%
- \* Yield of 11.7%
- \* Dividend covered 3.6 times
- \* Asset cover 170% of market capitalisation

Our budgets for 1980 had shown a continuing strong improvement in trading performance. The steel strike and the worsening economic climate have modified our profit expectations; nonetheless all operating companies should steadily consolidate their positions in each major market they supply.

SANDY SAUNDERS, Chairman  
Magon House, Luddendenfoot, Halifax

## The Society of Company &amp; Commercial Accountants ANNUAL GENERAL MEETING 1980

The Sixth Annual General Meeting of the Society was held on 19th May 1980 at Glaziers Hall, London.

In moving the Report and Accounts for the year ended 31st December 1979 the President, Mr. J. K. Poole, gave a résumé of the events that had taken place during 1979 and in the few months in 1980 preceding the Annual General Meeting. He particularly reminded members present of the functions that had taken place to celebrate the 50th jubilee of the incorporation of the Institute of Company Accountants; the main events being the celebratory Dinner at Guildhall, London, on 6th September 1979 and the Church Service at St. Martin-in-the-Fields in November.

He was pleased to refer to the series of City Luncheons that were given by Council to prominent business and professional men and women and stated that this had helped the Society to become better known.

On a domestic note he announced the fee increases that were necessary to come into force on 1st January 1981 and promised that services to members would continue at a high level. He paid tribute to Mr. Dennis Evans' service to the Society in the field of European participation and stressed the importance of the Society's Diploma in European Studies which was being overseen in Europe by Professor Emile Gearart of Antwerp University.

The President stated how pleased he was that the members of the British Association of Accountants and Auditors who were present at their Extraordinary General Meeting held in March 1980 had passed the resolution agreeing to amalgamate their membership with that of the Society under the Heads of Agreement issued to them as approved by Councils of both the British Association and the Society. He stated that this was a logical step in the approach to rationalisation of the profession and should be the forerunner of more close links with other professional bodies.

11 Portland Road, Edgbaston, Birmingham B16 9HW

هكمن النحل



## Broadly based advance for De La Rue

Satisfactory rate of growth and improved profitability.

## Outlook:

'Although it must be expected that margins in the UK will come under pressure, the Group will benefit from the spread of its operations and associated companies overseas and is well placed to preserve both its financial strength and its position in its various markets.'

Sir Arthur Norman, KBE, DFC, Chairman.

## SECURITY

## Thomas De La Rue

Production of banknotes and travellers cheques recovered to more normal levels. Whilst it would be idle to pretend that uncontrollable and frequently unforeseeable events in a number of countries do not represent a continuing hazard, the order book at the start of the new financial year is in good condition.

Although UK Security/Systems Print business was dull, the equivalent operations in Brazil and Colombia did extremely well and the General Services side had a very successful year.

## De La Rue Systems

A year of hard struggle and of further substantial investment in product developments. Turnover increased by 38% and there are very real prospects of a positive result in the current year.

## Security Express

Further substantial advance in profit with both Cash-in-Transit and Courier operations making good contributions.

## CROSFIELD ELECTRONICS

The Division maintained its position as the Group's growth leader, increasing turnover by 35%. Although prospects are bound to be affected by the external strength of sterling and the degree of world economic recession, the order book is reasonably satisfactory and the Company is confident of being able to show future progress.

## ASSOCIATED COMPANIES

The Nigerian Security Printing & Minting Company has continued to provide excellent service and De La Rue Giori also had a very satisfactory year.

During a year in which industrial unrest, rising unemployment and inflation were rarely out of the headlines, the people of De La Rue worked hard and effectively overall.

But the relentless increase in costs in this country must, if it continues, seriously affect the competitiveness of the Company in its international markets. It is a trend which, in the interests both of the people who work in the business and of those who invest in it, cannot be allowed to continue.

## Results for the year to 31st March 1980.

	1980	1979
Sales:		
UK	£900	£900
Export	39,850	30,454
Overseas	90,161	67,370
	28,507	21,992
	158,518	119,816
Trading profit before interest (Note 1)	26,829	19,671
Interest receivable less payable	3,550	1,922
Trading profit	30,379	21,593
Share of profits of associated companies	6,160	5,010
Profit before taxation	36,539	26,603
Taxation	12,963	6,545
Profit after taxation	23,576	20,058
Minority interests	625	500
Profit attributable to The De La Rue Company Limited, before extraordinary items	22,951 (1,576)	19,558 (400)
Extraordinary items	21,375	19,158
Dividends	9,149	4,343
Retained earnings	12,226	14,815
Earnings per Ordinary share (before extraordinary items)	60.3p	51.3p
Trading profit as a percentage of sales	19.2%	18.0%
Proposed final dividend 13.2p net per share (1979 - 11.66p including special interim paid Aug. 79).		

Note 1. Trading Profit: This has been reduced by the sum of £2 million representing the unrealised profits on goods sold to an overseas distributor during the year and included in stocks repurchased by the Company as a result of the termination of the distributorship agreement on 11th April 1980.

Copies of the Preliminary Results and Chairman's Statement are available from the Secretary: De La Rue House, Burlington Gardens, London W1A 1DL.



ones effective. Spread=Margin above  
rate (3 three-month: 5 above mean  
dollars; 10 above the current compo  
at yield.  
Determined in dollars unless other-  
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## Borrower Profile

## Exploiting the bankers' search for quality

BY PETER MONTAGNON

SWEDEN STANDS out among major international borrowers as one which has not been afraid to get down to some brisk additional borrowing in 1980. While many countries have been put off by high interest rates around the world, Sweden is estimated by international bankers to have already raised roughly half its \$7bn gross public sector foreign borrowing requirement for 1980.

This does not include two major financing operations currently under way for the kingdom. The first is a \$200m issue of notes and bonds in the Yankee market for which conditions will be set early next week. The second is a \$350m syndicated Eurocredit for which Chase Manhattan is acting as agent.

Terms on the Eurocredit underline the traditional high standing of Sweden as a borrowing country. The margins have been set at 1 per cent over Libor for the first four years, rising to 1 per cent thereafter. Notwithstanding the labour unrest which paralysed the country in early May, Sweden has thus obtained terms roughly similar to those on its last \$800m credit raised in the autumn of 1979. This was a

10-year credit and a 1 margin was set for the first three years rising to 1 per cent for the remaining seven.

Sweden is, of course, able to benefit from the "flight into quality" that has characterised the international credit markets in recent months. Yet there are some clouds on Sweden's horizon as the prospectus for the Yankee issue shows.

With the rise in world oil prices and the country's traditionally high per capita energy consumption, the oil import bill is expected to reach some SKr 27bn to SKr 28bn (\$6.4bn to \$6.6bn) this year. This will be more than double the 1978 figure of SKr 13bn and well above last year's SKr 23bn.

The higher oil bill is expected to push the current account balance of payments deficit to some SKr 18bn from last year's SKr 10.8bn and bankers expect the deficit to be somewhat higher still in 1981.

Meanwhile, inflation is rising. The Government estimates that consumer prices will increase by some 12.5 per cent this year following the May wage agreements in both the public and private sectors which will push average wages up by some 11 per cent this year. In 1979,

consumer prices rose only 7 per cent.

A third major problem is the size of the Government's budget deficit. In the 1980/81 fiscal year this is projected at SKr 57.88bn on outgoings of SKr 206.34bn and receipts of SKr 148.46bn compared with an estimated shortfall of SKr 43.6bn in the 1979/80 fiscal year which ends on June 30.

These figures point to a country which is living beyond

Sweden could be said to be living beyond its means but at the same time the nation is acutely conscious of the need to maintain its credit standing.

Such a notioo is further supported by the decline in foreign exchange reserves which fell to SKr 12.1bn at the end of 1979 and SKr 15.8bn in December 1979. Moreover, Sweden already has a very high level of per capita foreign debt. Latest Bank for International Settlements figures show its total borrowings from international banks at the

end of last year stood at \$11.37bn. With a population of 8.3m this gives gross per capita commercial debt of \$1,370. The corresponding figure for Brazil is \$307 on total bank borrowings of \$36.96bn and a population of 120m.

The question thus arises as to whether Sweden is on the slippery slope down which Denmark is already said to be sliding into what Denmark's central bank governor has described as an "economic abyss". The Government does, however, seem to be aware of this danger. It has already introduced proposals to curb budget expenditure in 1980-81 and further restrictive budgetary measures are expected to be announced later this year.

At the same time the National Debt Office is acutely conscious of the need to maintain the country's credit standing. It is known in the banking community as a hard bargainer which usually manages to obtain very favourable terms for national borrowings.

One reason for its success is the diversity of the markets tapped. Besides the Yankee and syndicated credit markets, Sweden has also this year tapped the Eurodollar bond market as well as the Swiss and

German capital markets and the Samurai bond market in Japan. A large amount of borrowing is conducted in private placement form with details rarely reaching the Press.

Whether Sweden will continue to be successful as a top rated borrower will depend at least in part on its efforts at structural reform of the economy. This means in essence either reducing imports and energy consumption or expanding the industrial base to sustain them at their present levels.

The Yankee prospectus shows that the kingdom expects to borrow in its own name some SKr 18bn to SKr 17bn this year, of which about SKr 6bn was completed in the first four months. This brought the Government's own external debt, to SKr 26.28bn.

In addition, State guaranteed external debt at the end of last year amounted to SKr 10.16bn. As far as amortisation and interest payments are concerned there is a large hump in 1984 when Sweden faces debt service charges on its own external debt of SKr 8.2bn.

Thereafter there is, on the basis of end-1979 figures, a more or less uninterrupted decline through the rest of the decade.

## SWEDEN

## Modest growth at Spanish banks

By Robert Graham in Madrid

SPAIN'S TWO biggest commercial banks, Banesto and Central, have shown a modest growth in profits for 1979.

Banesto's pre-tax profits were up 5 per cent to Pta 9.9bn (\$141m) while Central's pre-tax profits rose 2.4 per cent to Pta 6.2bn. After provision for tax, Banesto declared profits of Pta 7.5bn, up 7 per cent, and Central profits of Pta 5bn, up 4 per cent.

In both instances the tax provision was marginally lower than the previous year, mainly the result of changes in tax legislation.

Growth in profits would have been more sluggish but for income accruing from higher interest rates and from commissions, especially guarantees. Banesto's income from commissions and other bank charges was up 10.4 per cent, and that of Central by 13.8 per cent.

Both banks also reflect the major impact in 1979 of Bank of Spain regulations instituting stricter accounting provision for portfolio investment and doubtful debts. Banesto has set aside Pta 8.4bn to cover doubtful debts, an increase of 164 per cent, plus a further Pta 1.8bn for portfolio writedowns. Central has increased its provision for doubtful debts twofold to Pta 4.5bn.

## Strong advance by Krupp Atlas

By Jonathan Carr in Bonn

BREMEN-BASED Krupp Atlas Elektronik, part of the diversified Krupp group, reports sales and orders sharply up in 1979 and buoyant business continuing into the first four months of this year.

All three main aspects of company activity, marine electronics, process data systems and defence material, are said to have contributed.

Sales last year rose by nearly one-third to DM 156m, incoming orders were up by 42 per cent to DM 331m, and orders in hand at the end of December totalled DM 508m, a rise of 52 per cent against a year earlier.

The company plans DM 24m investments this year after DM 26m in 1979. The labour force rose by about 300 last year to more than 2,000.

## Dividend possible after sharp recovery at Fokker

BY CHARLES BATCHELOR IN AMSTERDAM

FOKKER, the Dutch aerospace group, expects sharply higher aircraft sales this year, though its profit forecast remains modest. The company said yesterday that it did not rule out paying a dividend this year for the first time since 1975.

The company, which is now operating independently following the completion of the split with its West German partner, VFW, has already sold 24 F27s and F28s compared with 27 in the whole of 1979. It has set itself a sales target of 90 aircraft in 1979-80.

Fokker made a net profit of F1 4.8m (\$2.4m) last year on sales of F1 965m (\$483m). This compared with profit of F1 200,000 in 1978 on sales of F1 822m. It achieved profits of F1 3.92 per share and a return on assets of 5 per cent.

The board indicated that the company would make a net profit of between F1 5m and F1 10m in 1980. Profit will be at least on the level of 1979 but Fokker does not expect to make any payments to VFW as part of the "divorce settlement"

recently agreed. Such payments only become necessary if profit exceeds F1 10m.

Uncertainties surrounding prospects for this year are currency fluctuations, rising fuel prices, the purchasing policies of airlines and international political developments.

Fokker expects to make investment commitments totalling F1 50m this year and foresees that spending will continue at a high level for the next few years. This is needed to achieve the necessary expansion of its business and to make good investments put off in recent years because of the difficult period the company went through. Fixed asset investments were F1 18m last year.

Fokker plans to increase production levels of its turbo prop F27. Despite an increase in demand for the F28 a decision on raising production will be left for the end of the year.

The proposed F29 jet is taking more definite shape and is expected to be a 132 seater powered by either a Rolls-Royce RB432 engine or the General Electric/Snecma CFM56.

## Wereldhave reveals plans to expand U.S. offshoot

BY OUR AMSTERDAM STAFF

WEST WORLD Holdings, the real estate investment trust being formed in the U.S. by the Dutch property group Wereldhave, could have an ultimate portfolio of \$500m.

Something like two-fifths of this total would be financed from Wereldhave's own resources, the company says. In an initial injection of new finance, up to \$65m is being raised by a placing of West World shares in Amsterdam, starting tomorrow.

West World is to be managed by Interned Services, a joint company set up by Wereldhave and its U.S. partner, Westland, Utrecht Hypotheekbank. West World will handle all Wereldhave's U.S. property operations.

The new shares in West World will not have a stock market listing but the placing banks will "maintain a market" in 1981, a return of between 6

per cent and 7 per cent is expected on the shares.

Wereldhave's share in the new company will be flexible but it will not fall below 35 per cent allowing the company to maintain a leading position in its management, says Mr. Willem Van Dijk, the company's chairman. Westworld will invest solely in rented office buildings in the large U.S. cities.

The share placing, which will be between 5,000 and 10,000 shares at \$10,000 each, will be handled by Pierson Holding and Pierson, Nederlandsche Middenstandsbank and stockbrokers, Kempen and Co.

Private investors will be offered up to 2,000 shares with preference being given to existing shareholders in Wereldhave. Wereldhave itself will take up at least 3,500 shares of this issue and will ultimately increase its holding to 7,000.

## Sprecher moves into the red

BY JOHN WICKS IN ZURICH

SWISS electrical engineering group, Sprecher and Schuh, has dipped into the red for 1979 and will not pay a dividend.

Sales fell by more than 5 per cent to SwFr 454m and the company ran up a loss of SwFr 4m (\$2.4m) compared to net profits in 1978 of SwFr 3m.

This year new orders and sales are moving up but Sprecher suspects that its trading background will not improve sufficiently to lift it out of losses. Shareholders are told not to expect an early return to dividends.

The sharp move into losses is attributed by the company to the failure to reach turnover and production targets, while it was not possible to realise a hoped-for improvement in profit margins with new orders.

Sprecher has launched a programme aimed at improving profitability. It sees a rise in sales in 1980 following a rise

in new-order value by 1 per cent in 1979 to SwFr 478m (\$288m) and by as much as 13 per cent in an annual comparison for the first quarter of this year.

Winterthur, the Swiss insurance company, is raising its dividend from SwFr 43 a share to SwFr 46 for 1979. Profits rose by SwFr 6m to SwFr 60.4m (\$36.6m) with an improved underwriting result made possible by a fall in claims. Investment earnings were also "satisfactory".

The affiliated Winterthur Life Insurance Company is to pay SwFr 154.5m (\$93.63m) into the insured's profit-sharing fund, which thus rises to SwFr 333m.

Elsewhere in the Swiss insurance industry Swiss Reinsurance expects its reinsurance premium income to have risen by some 10 per cent for 1979. In a letter to shareholders, the company compares this estimated growth rate with a 1978 rise of 7 per cent and attributes the improvement primarily to more favourable exchange rates.

## Industrie Buitoni sales rise

PERUGIA — Industrie Buitoni Perugina broke even for the second straight year in 1979 after setting aside L.8.4bn (\$7.6m) for depreciation, against L.3.3bn previously. The company, one of the largest Italian food and confectionery

groups, will not pay a dividend for the fourth year running.

Consolidated group turnover rose 18.6 per cent to L.488bn. Exports rose 23.6 per cent to L.12bn while turnover of foreign subsidiaries rose 22 per cent to L.27bn.

## CREDITANSTALT-BANK

## From the Chairman's Office

The past year has followed the pattern of progress forecast for it. A programme of entrenchment and development, of extension of existing facilities, of consolidating valuable contacts and of furthering relations abroad has strengthened Creditanstalt's position as an international banking force. During this period, too, a representative office was opened in London, reflecting our close associations with this world financial centre.

In 1979, loans to domestic and foreign customers rose by 19.3%, deposits increased by 17.9%. Special efforts were again made in the field of export financing. As a result the total volume of export loans expanded by more than 45%. Creditanstalt again played an important role on the Austrian capital market, where approximately 20% of the total new issue volume was guaranteed by the Bank and a record AS 10.4 billion (US\$ 837 million) placed with the public.

Our strength is firmly based on the total assets of the CA Banking Group of AS 212.4 billion (US\$ 17.1 billion). A dividend of 10% will again be paid.

Although 1980 will be a difficult year, it presents a challenge which we are confident we can meet. With our wide-ranging resources, we are in a strong position to provide the best services possible to our existing and potential clients.

*Thurn*

Telephone: (0222) 85 22 - Cable address: Credit

Member of E.B.C. European Banks Ltd

## Salient Figures

	CREDITANSTALT	CABANKING GROUP
	AS. US\$ Change	AS. US\$ Change
Loans	954 267 +19.3%	1234 933 +19.4%
Due from Banks	414 333 +18.3%	446 359 +18.2%
Securities	227 183 +8.9%	313 252 +10.7%
Deposits	1527 1208 +17.9%	1985 1605 +17.6%
Capital and Reserves	60 049 +8.9%	75 060 +8.7%
Balance Sheet Total	1821 1344 +17.0%	2124 1709 +16.6%

Creditanstalt







Companies  
and Markets

## CURRENCIES, MONEY and GOLD

## Sterling falls

Sterling fell sharply in late morning trading following indications from Prime Ministers that the reduction in Britain's payments to the Common Market should help to reduce domestic interest rates. The pound opened at \$2.3370, touched a peak of \$2.3445-2.3450 in the afternoon, but then plunged to a low of \$2.3270-2.3280 on the statement to Parliament by Mrs Thatcher. Dealing spread widened to around 50 points in very nervous trading, but narrowed somewhat at the close when sterling was quoted at \$2.3300-2.3305, a fall of 3.55 cents on the day. The pound's trade-weighted index, as calculated by the Bank of England, fell from 74.2, after standing at 74.1 at noon and 74.0 in the morning.

The dollar's index on Bank of England figures, was unchanged at 84.2. The U.S. unit edged slightly against most major currencies in fairly dull trading, finishing near its lowest level of the day at 79.9, down from 80.0 from DM 1.7815 against the DM; to \$1.6590 from \$1.6580 against the Swiss franc; and to \$2.2250 from \$2.2250 from £1.0000.

MARK—Showing renewed strength against the dollar, and steady within the European Monetary System, following firmer rates in Frankfurt and lower U.S. interest rates. The Deutsche Mark showed a change at the Frankfurt closing, improving against most of its EMS partners, but losing ground to the dollar and Swiss franc. The U.S. currency rose to DM 1.7820 from DM 1.7795 without any intervention by the Bundesbank, while the Swiss franc was fixed at DM 1.7035, compared with DM 1.7034. The Italian lira was unchanged at DM 1.232, per 1,000 lira, but among other EMS currencies the French franc eased

to DM 62.95 per 100 francs from DM 62.97; the Belgian franc to DM 246 per 100 francs from DM 246.98; the Dutch guilder to DM 31.04, and the Irish punt to DM 3.7150 from DM 3.7250. Sterling fell to DM 4.1640 from DM 4.1730.

FRANC—Much firmer within EMS following moves by the Belgian authorities to increase interest rates as a move to defend the franc. The Belgian franc rose against most EMS currencies at the Brussels closing, but was unchanged at Bfr 16.01 against the Deutsche Mark. The French franc fell to Bfr 6.9765 from Bfr 6.8885; the guilder to Bfr 14.5695 from Bfr 14.5785; and the lira to Bfr 34.06 per 100 lire from Bfr 34.0574. Outside the EMS the dollar rose to Bfr 26.5275 from Bfr 26.5239 and sterling fell to Bfr 66.6975 from Bfr 66.8360.

ITALIAN LIRA—Weakest member of EMS, after rising to the top of the system in February, and remaining firm for most of last year. The lira improved against most EMS currencies at the Milan closing, though the Deutsche Mark rose to Lira 1,470.04 from Lira 1,469.70. The French franc eased to Lira 1,461.95 from Lira 1,462.77; the Danish krone to Lira 1,451.21; and the Swiss franc to Lira 1,447.37. The yen rose to Lira 1,447.37 from Lira 1,447.37.

JAPANESE YEN—Energy and balance of payments problems reflected in sharp rise in the yen. More readily lower U.S. interest rates have helped the yen recover. The yen lost ground against the dollar, in calm Tokyo trading, with the U.S. currency rising to ¥223.47 from ¥222.50.

## EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	% change from June 3	% change from June 3	% change from June 3
Belgian Franc	100	+0.22	+0.22	+0.22
Dutch Guilder	100	+0.22	+0.22	+0.22
French Franc	100	+0.22	+0.22	+0.22
German Mark	100	+0.22	+0.22	+0.22
Italian Lira	1,000	+0.22	+0.22	+0.22
Spanish Peseta	166.67	+0.22	+0.22	+0.22
Swiss Franc	100	+0.22	+0.22	+0.22
UK Pound	100	+0.22	+0.22	+0.22

## EXCHANGE CROSS RATES

Currency	Unit	% change from June 3	% change from June 3	% change from June 3
Belgian Franc	100	+0.22	+0.22	+0.22
Dutch Guilder	100	+0.22	+0.22	+0.22
French Franc	100	+0.22	+0.22	+0.22
German Mark	100	+0.22	+0.22	+0.22
Italian Lira	1,000	+0.22	+0.22	+0.22
Spanish Peseta	166.67	+0.22	+0.22	+0.22
Swiss Franc	100	+0.22	+0.22	+0.22
UK Pound	100	+0.22	+0.22	+0.22

## FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 3)

Currency	Unit	% change from June 3	% change from June 3	% change from June 3
Belgian Franc	100	+0.22	+0.22	+0.22
Dutch Guilder	100	+0.22	+0.22	+0.22
French Franc	100	+0.22	+0.22	+0.22
German Mark	100	+0.22	+0.22	+0.22
Italian Lira	1,000	+0.22	+0.22	+0.22
Spanish Peseta	166.67	+0.22	+0.22	+0.22
Swiss Franc	100	+0.22	+0.22	+0.22
UK Pound	100	+0.22	+0.22	+0.22

## EURO-CURRENCY INTEREST RATES (Market Closing Rates)

Currency	Unit	% change from June 3	% change from June 3	% change from June 3
Belgian Franc	100	+0.22	+0.22	+0.22
Dutch Guilder	100	+0.22	+0.22	+0.22
French Franc	100	+0.22	+0.22	+0.22
German Mark	100	+0.22	+0.22	+0.22
Italian Lira	1,000	+0.22	+0.22	+0.22
Spanish Peseta	166.67	+0.22	+0.22	+0.22
Swiss Franc	100	+0.22	+0.22	+0.22
UK Pound	100	+0.22	+0.22	+0.22

The following nominal rates were quoted for London dollar certificates of deposit one-month 10-10% per cent; three-months 10-10% per cent; six-months 10-10% per cent; one year 10-10% per cent.

Long-term Eurodollar two years 10-10% per cent; three years 10-11% per cent; four years 10-11% per cent; five years 11-11% per cent; nominal clearing rates.

Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two days' notice. Asian rates are clearing rates in Singapore.

## INTERNATIONAL MONEY MARKET

## Belgian rates ease

Interest rates in Brussels continued to decline yesterday with further cuts in short-term Treasury bill rates. Two and three-month bills were lowered to 15 1/2 per cent and 15 per cent respectively.

The one-month rate was left at 15 1/2 per cent. Yesterday's move was the second downward adjustment in less than a week, and since rates touched a peak of 17 1/2 per cent towards the end of March, Belgian interest rates have been gradually reduced in line with rates in other countries. Yesterday's cut was also further indication of an easing of pressure on the Belgian franc within the European Monetary System, after the authorities had elected to protect the franc with record interest rate levels.

In Frankfurt call money was quoted at 10.10 per cent, compared with 10.25 per cent on Monday, but was still well above the London rate of 9 1/2 per cent. Banks are expected to resort more to the Lombard facility later in the month, as liquidity levels start to decrease, with money drawn out by the start of

## UK MONEY MARKET

## Free supply

Bank of England Minimum Lending Rate 17 per cent (since November 15, 1979)

Day-to-day credit remained in good supply in the London money market yesterday, and overnight loans absorbed funds for the third day running by selling a moderate amount of Treasury bills, direct to discount houses.

The market was faced with a small net take up of Treasury bills to finance, but this factor was outweighed by a small excess of Government disbursements over revenue transfers to the Exchequer and banks bringing forward balances a moderate way above target. Discount houses were paying around 15 1/2 per cent for secured call loans at the start, with later

balances taken as low as 9 1/2 per cent.

In the interbank market overnight loans opened at 16 1/2 per cent and eased to 16 per cent quite quickly and then fell away to 13 per cent.

## GOLD

## Slight fall

Gold fell \$5 in the London bullion market yesterday to close at \$551.555. It opened at \$557.561, the highest level of the day, and was fixed at \$554.50 in the morning, and \$552.50 in the

afternoon. The lowest point touched was \$547.561. Trading was quiet.

In Paris the 12 1/2 kilo bar was fixed at \$557.561 per kilo (\$557.561 per ounce) in the afternoon, compared with \$557.561 (\$557.561) in the morning, and \$557.561 (\$557.561) Monday afternoon.

In Frankfurt the 12 1/2 kilo bar was fixed at DM 31,700 per kilo (\$557.561 per ounce), against DM 32,215 (\$555.00) previously, and closed at \$551.554, compared with \$554.504.

In Zurich gold finished at \$550.555 against \$550.555.

## LONDON MONEY RATES

Currency	Unit	% change from June 3	% change from June 3	% change from June 3
Belgian Franc	100	+0.22	+0.22	+0.22
Dutch Guilder	100	+0.22	+0.22	+0.22
French Franc	100	+0.22	+0.22	+0.22
German Mark	100	+0.22	+0.22	+0.22
Italian Lira	1,000	+0.22	+0.22	+0.22
Spanish Peseta	166.67	+0.22	+0.22	+0.22
Swiss Franc	100	+0.22	+0.22	+0.22
UK Pound	100	+0.22	+0.22	+0.22

rate nominally three years 15-15% per cent; four years 14-14% per cent; five years 14-14% per cent. Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 15-15% per cent; four-month trade bills 15% per cent.

Approximate selling rates for one-month Treasury bills 15% per cent; two-months 15-15% per cent; three-months 15-15% per cent; four-months 15-15% per cent; five-months 15-15% per cent; six-months 15-15% per cent; seven-months 15-15% per cent; eight-months 15-15% per cent; nine-months 15-15% per cent; one year 15-15% per cent.

Finance House Base Rates (published by the Finance House Association) 17% per cent from June 1, 1980. Clearing Bank Deposit Rates for sum of seven days' notice 15 per cent. Clearing Bank Rate for lending 17 per cent. Treasury Bill: Average tender rates of discount 16.0000 per cent.

Local authority and finance house seven days' notice, others seven days' fixed. \*Long-term local authority mortgage.

## THE POUND SPOT AND FORWARD

Currency	Unit	% change from June 3	% change from June 3	% change from June 3
Belgian Franc	100	+0.22	+0.22	+0.22
Dutch Guilder	100	+0.22	+0.22	+0.22
French Franc	100	+0.22	+0.22	+0.22
German Mark	100	+0.22	+0.22	+0.22
Italian Lira	1,000	+0.22	+0.22	+0.22
Spanish Peseta	166.67	+0.22	+0.22	+0.22
Swiss Franc	100	+0.22	+0.22	+0.22
UK Pound	100	+0.22	+0.22	+0.22

## THE DOLLAR SPOT AND FORWARD

Currency	Unit	% change from June 3	% change from June 3	% change from June 3
Belgian Franc	100	+0.22	+0.22	+0.22
Dutch Guilder	100	+0.22	+0.22	+0.22
French Franc	100	+0.22	+0.22	+0.22
German Mark	100	+0.22	+0.22	+0.22
Italian Lira	1,000	+0.22	+0.22	+0.22
Spanish Peseta	166.67	+0.22	+0.22	+0.22
Swiss Franc	100	+0.22	+0.22	+0.22
UK Pound	100	+0.22	+0.22	+0.22

## CURRENCY MOVEMENTS

Currency	Unit	% change from June 3	% change from June 3	% change from June 3
Belgian Franc	100	+0.22	+0.22	+0.22
Dutch Guilder	100	+0.22	+0.22	+0.22
French Franc	100	+0.22	+0.22	+0.22
German Mark	100	+0.22	+0.22	+0.22
Italian Lira	1,000	+0.22	+0.22	+0.22
Spanish Peseta	166.67	+0.22	+0.22	+0.22
Swiss Franc	100	+0.22	+0.22	+0.22
UK Pound	100	+0.22	+0.22	+0.22

## OTHER CURRENCIES

Currency	Unit	% change from June 3	% change from June 3	% change from June 3
Belgian Franc	100	+0.22	+0.22	+0.22
Dutch Guilder	100	+0.22	+0.22	+0.22
French Franc	100	+0.22	+0.22	+0.22
German Mark	100	+0.22	+0.22	+0.22
Italian Lira	1,000	+0.22	+0.22	+0.22
Spanish Peseta	166.67	+0.22	+0.22	+0.22
Swiss Franc	100	+0.22	+0.22	+0.22
UK Pound	100	+0.22	+0.22	+0.22

## Degussa reports a good year

Chemicals sector rebounds. Metals sector up 28%

Degussa, a leading international chemicals and metals company, achieved good results for fiscal year 78/79. Overall, sales for Degussa World, which includes Degussa AG and its consolidated domestic and foreign subsidiaries and affiliates, rose by 21.6%.

The Chemicals sector made a strong recovery after a sluggish 77/78. Sales in the Metals sector were even more buoyant than in the previous year, benefiting from sharp price increases in precious metals.

Degussa's foreign production units and sales organisations, whose growth in sales outpaced domestic gains, accounted for 15.2% of worldwide sales as against 14.3% the previous year.

Sales in North America were expanded considerably, especially chemical products and pigments. The plants in Mobile, Alabama, contributed substantially to this development. Progress was also achieved in specialised areas such as auto exhaust catalysts for the U.S. motor industry, and in the dental sector through acquisition of an American company. In Toronto, Degussa Canada Ltd. started operations.

In Brazil, the company streamlined its activities by transferring its holdings in Vecambras Ltda., Kopp + Odenwald Ltda., and Micronica Ltda. to Degussa S.A., São Paulo.

Our production units in Belgium, France, Great Britain, Holland, and

Italy as well as new sales organisations in Great Britain and Belgium had a positive influence on sales in the European Community. In Italy, Degussa increased its holding from 75% to 88.1% in Colorificio Romer S.p.A., Florence. Degussa also recorded satisfactory results in other Western European markets, as well as in Asia, Africa, and Australia.

## Highlights of Fiscal 78/79

- Sales of Degussa World rose from DM 5.0 billion to DM 6.1 billion, an increase of 21.6%.
- The Metals sector accounted for 59% of total sales with DM 3.55 billion, an increase of 28% over 77/78.
- Total sales of the Chemicals sector rose by 13.3% to DM 2.5 billion.
- Net income for Degussa World was DM 50.2 million — for the parent company DM 41 million.
- Sales of the parent company were DM 5.1 billion, of which exports accounted for 48.5%.
- Assets acquired amounted to DM 90.4 million, slightly below the DM 92.3 million of the previous year.
- A dividend of DM 8.50 per DM 50 share was fixed.
- 76.7% of total financial requirements for the parent company were covered by internal financing.
- Investment in Research and Development rose by 5%.

The balance sheet structure again improved with capital, reserves and other long-term financial resources exceeding total fixed assets by 63.5%. At this year's Annual General Meeting, the shareholders approved a capital increase of 17% to DM 248 million.

## Outlook

Although sales and profits continued to develop favourably during the first months of the new fiscal year, the possibility of a business slowdown must be factored into the outlook for the full year. In view of rising energy prices and concern about energy shortages as well as uncertainties in world trade and currencies, Degussa views the year 79/80 with cautious optimism.

## Degussa Activities in Brief

CHEMICALS	METALS
• Chemicals	• Precious Metals — Trading and Refining
• Pigments	• Dental and Semi-finished Gold Products
• Ceramics	• Technical Metal Products
• Colours	• Metal Joining Technologies
• Carbonization	• Densification and Industrial Furnaces
• Catalysts	
• Pharmaceuticals	

Employees: 12,000 — Shareholders: 35,000

Production units in Germany: 18

Production units of subsidiaries in 13 countries.

For an English version of our 1979 Annual Report we invite you to write to: Degussa Abteilung Öffentlichkeitsarbeit P.O. Box 2644, D-6000 Frankfurt 1

## Degussa

Progress through Precious Metals and Chemistry

## A FINANCIAL TIMES SURVEY

## DUTCH CAPITAL MARKETS

JULY 2 1980

The Financial Times proposes to publish a Survey on Dutch Capital Markets in its edition of July 2. The provisional editorial synopsis is set out below:

**INTRODUCTION** The strong rise in oil prices has led to a further worsening of prospects for the Dutch economy. The Government has announced further public spending cuts and a freeze on wages in its efforts to put the economy on a sounder footing. The public sector borrowing requirement will nevertheless be at a record level this year.

**BANKING** Profit growth of many of the large Dutch banks slowed last year as interest margins came under pressure, foreign exchange business proved less profitable and securities operations continued to make losses. With one or two exceptions, the banks have begun to feel the impact of world political and economic uncertainties.

Editorial coverage will also include:

**FOREIGN BANKS** Rapid expansion of 1970s; slowing of growth and reduction of some activities.

**INSURANCE** Expansion into foreign markets; business remains buoyant and profit levels are very satisfactory.

**STOCK MARKET** Slight recovery of trading volumes; The Exchange Association's long-awaited revitalising plans are finally being implemented.

**EUROPEAN OPTIONS EXCHANGE** Strong rise in trading volumes in recent months; Introduction of German options; Extension of Dutch and French Options; Improving prospects.

**THE GOVERNMENT BORROWING REQUIREMENTS** Size of Government's borrowing requirements continues to cast shadow over Dutch Capital Markets; problems facing the Government and efforts to cut spending.

**THE CENTRAL BANK** Firm policy of high interest rates and a firm currency despite protestations from industry; curbs on consumer lending have been allowed to lapse.

**THE BOND AND MONEY MARKETS** Pressure of high level interest rates on Dutch Bond and Money Markets; problems for borrowers; criticism of Central Banks' loan calendar policy.

Copy date is June 11, 1980.

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Telephone: 01-248 8000 Telex: 885033 FINTIM G

## FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

The content, size and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor.



## Mixed early Wall St. showing

100

**WITH INVESTORS** remaining cautious about the recent gloomy economic statistics, Wall Street fluctuated narrowly in moderate early activity yesterday before settling in a mixed showing at mid-session.

The Dow Jones Industrial Average was just 0.09 harder at \$47.44 at 1 p.m., while the NYSE All Common Index gained 4 cents to 158.88. The market held a narrow lead over advances. Turnover slowed to 18.58m shares from the previous day's 19.4m.

Michael Metz, of Oppenheimer and Co., said the market was consolidating its recent gains while investors tried to gauge the market's reaction to the ending of the recession. He added that investors were also watching how the Bond market absorbed its heavy calendar of offerings. Bond yields were higher yesterday morning.

Renewed interest in Precious Metals over the past week or so was also keeping stock investors interested in analysis, since it suggests gold investors fear inflation will not abate.

Volume leader Tosco slipped 1/2 to \$274, after a 31 point rise on Monday in response to a Supreme Court ruling on oil shale properties.

Union Pacific shed 1/2 to \$421, and Missouri Pacific also 1/2 to \$571. They intend filing applications with the Interstate Commerce Commission in mid-September for approval of a merger of Union, Missouri and Western Pacific.

Goldwyn Minerals lost 1/2 to \$344, despite announcements that the company's gain of 18 cents a share in second-quarter profits from the sale of Australian properties.

Goldwyn-Mayer "when issued" lost 1 1/2 to \$7. Kirk Kerkorian has dropped a planned \$8.5 share bid for enough "when issued" shares to raise its stake to 20 per cent.

Financial Federation rose 1/2 more to \$591, following a jump of nearly 10 points on Monday of Great Western. Financial's proposed bid of \$52.85 a share. Great Western eased 1/2 to \$19.

Flint advanced 2 1/2 to \$594 on a more than 50 point rise in the second-quarter near earnings.

**THE AMERICAN SE Market** Value Index put on 1.90 to \$274.41 at 1 p.m. on volume of 2.50m shares (2.51m).

**Canada**

There was also no decided trend on Canadian markets yesterday morning, although trading was active.

Toronto Composite Index was 3.7 higher at 1,984.9 at noon, while the 1 and Gas index gained 16.8 to 4,343.9, but Golds receded 39.8 to 3,390.2.

**Tokyo**

Apprehension over the domestic political situation due to Prime Minister Masayoshi Ohira's heart ailment kept trading subdued and the market mainly eased afresh in this dealings.

The Nikkei-Dow Jones Average dipped 36.52 to 6,236.18, while declines on the First and Second Index outpaced gains by 349 to 246 after volume of 220m shares (200m).

Brokers said leading speculative issues, such as Miyagi Iron Works and Nippon Wool Textiles, were down.

Market rumours that the Tokyo SE may decide tomorrow to adopt new regulations under which stocks of companies capitalised at ¥30n or less cannot be sold in margin trading.

A number of export-related issues, including some recently strong Light Electricals, lost ground. Sony reacted ¥30n to ¥1,990 and Pioneer Electronic ¥20n to ¥1,201, while Honda Motor shed ¥12 to ¥775 and Canon ¥18 to ¥661.

**Resources-related Issues.** Non-ferrous Metals were mostly lower, with Tekohu OH ¥1,360, and Nippon OH ¥2,200, easing ¥20 apiece, but Koso OH ¥2,200 advanced to ¥284.

Mineral Mining retreated ¥7 to ¥765 and Dowa Mining ¥27 to ¥939.

However, elsewhere, Hitachi Steel rose ¥41 to ¥917, Taho Rayon ¥17 to ¥235 and Mitsui Oda Line ¥5 to ¥213.

**Germany**

Shares continued to drift lower, taking the Commerzbank Index down to 702.7.

Motors remained particularly depressed, still suffering both from Volkswagen's announcement on Monday that first-half sales had fallen 10 per cent and from lay-offs at several other companies. Volkswagens weakened DM 2.70, while BMW lost DM 5.50 more and Daimler-Benz DM 2.50.

Decline in other sectors were mainly small, however, although Thyssen-Industrie shed DM 2.10 and Varta DM 2.

The Domestic Bond Market receded of up to 140 pfennigs in the wake of the issue of a New Government Loan, priced to yield 8.21 per cent. The Bundesbank bought DM 1.6m net of capital after purchases of DM 1.8m on Monday. Mark Eurobonds were mixed.

**Johannesburg**

Gold shares, after recent strength, retreated on news of a production shaft closure at Silfontein following unrest in the area.

Also reflecting a downturn in the bullion price.

Silfontein fell R715 to R19.00, while Gold Fields SA lost R2 to R80, Kloof R2.25 to R31.25, East Rand R1.75 to R24.75, and F. S. Geduld R3 to R58.

Mining Financials tended to ease, while De Beers receded 15 cents to R9.55. Coppers and Platinum were generally steady. Industrials closed on a mixed note.

The Sasol refinery explosions, but trade remained nervous. ON Sasol's shed 20 cents to R15.30, but Reinbrandt gained 15 cents to R15.00, and Nedbank 10 cents to R6.00.

**Australia**

Minings continued to show a firming tendency, although Gold shares were mainly only modestly higher in much quieter trading after Monday's activity.

After recent buoyancy, put on a mixed performance with profit-taking noted, while Industrials were also irregular. The Metals and Minerals Index added 50.64 to 5,554.59, although the Sydney All Ordinaries Index was just 0.77 higher at \$68.21.

Bongville Coppes, which has been a market leader, provided an outstanding bright spot with a rise of 25 cents to AS2.55, but Central Narseman Gold, up 90 cents on Monday, were unchanged at AS8.40.

**Paris**

French share prices were mixed at the end of a quiet session in the absence of any stimulus. Market observers said that investors have taken a hesitant stance and appear to be waiting for a clearer indication of the extent of the economic slowdown in France and abroad.

**Hong Kong**

With investors wary about the onset of local recessionary conditions, many remained unwilling to enter the market, leading issues mainly marked time yesterday while Properties showed an easier tendency.

Business on the Hong Kong SE continued to be sluggish. HK\$17.6m. do from Monday to HK\$27.37m, while the Hang Seng index slipped 2.28 to 899.39.

Hong Kong Land managed to harden 10 cents to HK\$11.20, but SHK Properties declined 15 cents to HK\$5.50 and Sate Steel 10 cents to HK\$4.00.

Closing prices for North America were not available for this edition.

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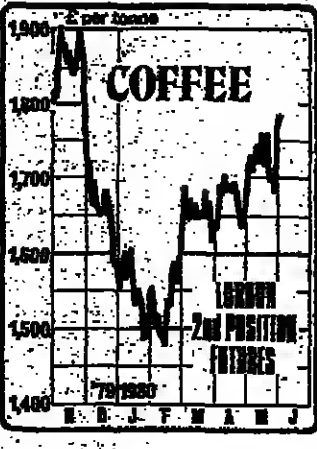
# Frost fears boost coffee

BY RICHARD MOONEY

THE FROST THAT COULD HIT Brazil's growing regions pushed coffee prices higher on world markets yesterday.

Following frost in more than 100,000 hectares of coffee in the state of Minas Gerais, the main coffee-producing state in Brazil, the market reacted sharply. The price of Arabica coffee rose 10 cents to 150 cents a pound, while Robusta coffee rose 5 cents to 120 cents a pound.

The frost was the first in the region since 1975, when it caused a similar price rise. The market is now looking for a similar reaction if the frost continues.



# Dealers confirm cocoa deal

BY JOHN EDWARDS, COMMODITIES EDITOR

LONDON cocoa dealers, J. H. Rayner, part of the S. and W. Benson group, confirmed yesterday that they were involved in the purchase of 100,000 tonnes of cocoa from the Ivory Coast last week.

It was emphasised that this was a "back to back" deal. Matching sales to European and U.S. manufacturers and processors had been arranged prior to the purchase transaction being completed.

The deal is the biggest single transaction in cocoa to take place for many years, but traders are still somewhat uncertain about its impact on the market. Yesterday prices moved up slightly but this was described mainly as a technical reaction.

Some dealers think it could mark a turning point in the big fall in market prices during recent months to the lowest level for four years. It was pointed out that the huge surplus stockpile in the Ivory Coast, which has now been largely removed by the deal, was a great depressing influence. Other producing countries, notably Ghana, are known to have sold large quantities in recent weeks. This is no longer the same pressure on producers to sell.

However other dealers point out that the surplus of cocoa remains, even though the surplus may have been transferred to stronger hands in consuming countries. Some consumers, who have bought elsewhere, might well now be tempted to dispose of other cocoa or even the Ivory Coast supplies in view of the slow rate of demand and the desire to keep stocks to a minimum.

It is felt the Ivory Coast may now be less disinclined to sell Brazil cocoa for processing. However the co-operation of consumers in buying from Ivory Coast may help efforts at the International Cocoa Council talks starting in London today to resume negotiations seeking a new cocoa agreement.

The Council meeting is primarily to discuss the disposal of the \$220m buffer stock fund, but it may well be used as a forum to start producing and consuming countries talking again. France yesterday at the OECD meeting in Paris urged the resumption of cocoa talks. It said the whole future of the North-South dialogue will be threatened by the breakdown of the Cocoa Agreement.

# Sharper downturn in sugar

BY OUR COMMODITIES STAFF

THE DOWNTURN in sugar values accelerated yesterday taking prices to their lowest levels for two weeks. In the morning the London daily raws price was fixed \$20 lower at \$310 a tonne and on the futures market the October position and the day at \$361.75 a tonne, down \$25.175. This followed a \$11.175 decline in the futures price on Monday.

Traders said the fall continued to reflect dealers' nervousness following the recent upsurge which lifted prices to 51-year highs last week. There is a strong suspicion that the market may have become "overbought".

Futures prices had surged ahead of physical values, dealers said, and this situation could not continue indefinitely.

# MANGANESE RECOVERY New technology and the cost of future output

BY ROY HODSON

AN OPTIMISTIC view of the world's reserves of manganese ore, so essential ingredient in steelmaking, is taken by the International Iron and Steel Institute in a new report.

Massive deposits of low-grade ore, which can be used successfully after going through up-gradating techniques, will meet world needs well into the next century, concludes the institute's committee on raw materials.

"It is difficult to envisage a physical shortage of manganese ore caused by depletion of reserves," the report states.

Nevertheless, the steelmakers are resigned to the fact that manganese will become harder to recover. The IISI assessment is that supplies of high grade manganese ore are limited. Several deposits could be nearing depletion by the end of the century.

WORLD ONSHORE MANGANESE RESOURCES (in tonnes of manganese content)

North America	82
Latin America	82
South Africa	1,413
Rest of Africa	106
Asia	41
Australia	158
China	30
Bulgaria	4
Russia	1,170

The U.S. Bureau of Mines has compiled these estimates of reserves already measured, and reserves which are either indicated or inferred. The bureau considers all are economically extractable.

to the Eastern bloc countries. The total Manganese region is now a substantial net importer from the Western world.

Manganese is used in the steel industry in the form of ore and as manganese ferro-alloys. It is usually added to the blast furnace as low-grade manganese ores or as manganese-containing iron ores. The IISI forecasts that developments in blast furnace practice may decrease the amount of manganese required in the blast furnace thus helping to slow down growth in demand. One technique which may have an important application is the external desulphurising of hot metal.

At present more than 92 per cent of manganese output is used by the steel industry and the percentage is not expected to change substantially in the next few years.

The steelmakers forecast that it will be reasonable to assume a world manganese ore requirement of between 28m tonnes a year and 32m tonnes a year by the mid-1990s.

# N.Z. test for wool market

AN INNOVATION in futures markets was launched yesterday when New Zealand wool traders started dealings on the London crossbred contract overnight on a domestic basis.

The idea is that New Zealand members of the market will be able to trade within their own time scale. Deals made will then be registered through a clearing member in London and created as keri or inter-office transactions.

The first day saw 15 lots traded in New Zealand, it is hoped this will gradually build up and create more interest in the Loodoo market as a whole.

Meanwhile in Melbourne the Australian Wool Corporation reported that its stock rose to 214,000 bales in April, compared with 129,000 bales held at end-March and 447,500 in April last year.

# Brazil abolishes sisal tax

RIO DE JANEIRO — The central bank of Brazil has published a resolution abolishing the export tax on sisal.

The tax, 12 per cent on the FOB value of the sale, was originally imposed last December to offset the effect of the 30 per cent downward adjustment of the cruzado against the U.S. dollar.

Butter

# Apple farmers demands rejected

By Richard Mooney

BRITISH DEMANDS for action to stem the flow of cheap apples into the country were rejected by representatives of Continental growers at a meeting in Brussels yesterday.

Mr. Dan Uythoorn, chairman of the National Farmers' Union's apple and pear committee, said he called the delegation to stabilise the EEC apple trade was given sympathetic consideration "but not all member countries were able to agree to them".

The delegation told the European Farmers' Union's fruit and vegetables working party it wanted intra-community trade in apples to be restricted to top-grade fruit; a ban on trade in loose packed apples; and the return of sub-standard fruit at the exporters' expense.

# U.S. to ask Australia to keep embargo policy

WASHINGTON — The U.S. Government is to urge Australia to continue its present policy of not replacing the U.S. grain embargo for shipment to the Soviet Union at the meeting next week between the U.S. Agriculture Department and Australian Primary Industry Minister Peter Nixon to discuss the U.S. embargo on grain sales to the USSR.

USDA officials said Mr. Nixon will probably meet Mr. Bob Bergland, Agriculture Secretary, on June 10. Later in the week, the Australian Minister will travel to Ottawa for talks.

The U.S. will urge Australia to keep its grain sales to the Soviet Union for the next marketing year at the same level as the current year. For example, Australia's current contract to supply 2.3m tonnes of wheat to the USSR will not be completed until July. The USDA would have no objections if future Australian wheat sales to the USSR were approximately the level of the current year.

For coarse grains, the U.S. hopes that Australia keeps its sales to the Soviet Union at its traditional or historical levels.

Farm groups in the U.S., Canada and Australia have put pressure on their respective Governments to ease the restrictions on grain trade with the Soviet Union.

Arusha, Tanzania-Tanzanian Prime Minister Edward Sokoine said it should be possible for most African countries to become self-sufficient in food and even produce exportable surpluses.

Reuter.

# Interest seen for potato futures market

INITIAL SUPPORT for the London potato futures market is likely to come primarily from speculators.

The potato trade had shown keen interest in the proposed London potato futures market, according to Mr. Tony Beeson, chairman of the market's formation committee. He told a seminar yesterday that they expected a flurry of activity in the first few weeks, mainly from speculators, but support from farmers and merchants would build up when they saw the market operating properly.

So far, 16 bookers have agreed to pay the £5,000 full membership fee, and ten applications have been made for associate membership, initially costing £2,000.

# BRITISH COMMODITY MARKETS

BASE METALS

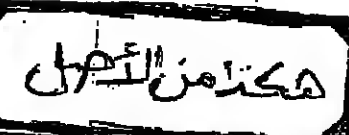
COPPER — London Metal Exchange. Forward metal moved narrowly higher, extremes of £208 and £210, with the latter occurring during the afternoon when sterling fell sharply. Closing prices on the LME were: 208.50, 209.00, 209.50, 210.00, 210.50, 211.00, 211.50, 212.00, 212.50, 213.00, 213.50, 214.00, 214.50, 215.00, 215.50, 216.00, 216.50, 217.00, 217.50, 218.00, 218.50, 219.00, 219.50, 220.00, 220.50, 221.00, 221.50, 222.00, 222.50, 223.00, 223.50, 224.00, 224.50, 225.00, 225.50, 226.00, 226.50, 227.00, 227.50, 228.00, 228.50, 229.00, 229.50, 230.00, 230.50, 231.00, 231.50, 232.00, 232.50, 233.00, 233.50, 234.00, 234.50, 235.00, 235.50, 236.00, 236.50, 237.00, 237.50, 238.00, 238.50, 239.00, 239.50, 240.00, 240.50, 241.00, 241.50, 242.00, 242.50, 243.00, 243.50, 244.00, 244.50, 245.00, 245.50, 246.00, 246.50, 247.00, 247.50, 248.00, 248.50, 249.00, 249.50, 250.00, 250.50, 251.00, 251.50, 252.00, 252.50, 253.00, 253.50, 254.00, 254.50, 255.00, 255.50, 256.00, 256.50, 257.00, 257.50, 258.00, 258.50, 259.00, 259.50, 260.00, 260.50, 261.00, 261.50, 262.00, 262.50, 263.00, 263.50, 264.00, 264.50, 265.00, 265.50, 266.00, 266.50, 267.00, 267.50, 268.00, 268.50, 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# FT UNIT TRUST INFORMATION SERVICE



## AUTHORISED UNIT TRUSTS

Table with multiple columns listing various unit trusts, their managers, and performance data. Includes sub-sections like 'ACTIVITY' and 'NOTES'.

Table listing various unit trusts and their managers, including details on assets, performance, and contact information.

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## INSURANCE PROPERTY BONDS

Table listing insurance and property bond products, including details on coverage, terms, and costs.

## OFFSHORE & OVERSEAS FUNDS

Table listing offshore and overseas investment funds, including details on assets, performance, and contact information.

Continued on previous page







**FINANCE, LAND—Continued**[illegible]



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# FINANCIAL TIMES

Wednesday June 4 1980

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## Expulsion warning to armed diplomats

BY DAVID TONGE

BRITAIN has warned foreign diplomats that it could expel them if they bring weapons into the country.

Mr. Douglas Hurd, Minister of State at the Foreign Office, said in Parliament yesterday that if diplomats import guns or ammunition: "We will not hesitate to taking legal action to declare them *persona non grata*."

He said firearms were not allowed to be carried for personal protection.

His statement follows concern at the way Middle East quarrels have been fought out in London's streets. In the past two months seven people died in the seizure of the Iranian Embassy in London—with reports that the guns had been supplied by Iraqi diplomats.

Four Libyan diplomats were withdrawn following the killing of two Libyan exiles. A bomb caused one Iranian diplomat in Central London. This weekend an explosion outside the Kuwait Oil Company damaged shops in London's Bond Street.

Iraq and Libya are among countries suspected by British officials of using their sealed diplomatic bags to smuggle explosives and weapons into Britain.

Mr. Hurd said yesterday: "The government cannot tolerate an embassy becoming a haven from which illegal acts could be devised and from which such acts could be carried out by mischievously disposed persons."

He also insisted that the protection of the 2,500 foreign diplomats in London was the task of the British authorities.

This task is entrusted to the Diplomatic Protection Group of the British Special Branch. This is adamant about demanding that all embassy personnel, in Britain and all visiting security officers, including the bodyguards of Kings and Presidents, should hand over their weapons—which they do, though usually complaining.

The only Embassy which has its own armed security staff is that of the United States; the U.S. marines in question act under the Visiting Forces Protection Act.

When Dr. Henry Kissinger was here as Foreign Secretary his own cavalcade of bullet-proof cars was flown in; the British authorities even disarmed the security guard sitting in the back car whose rear windows had been taken out so that he could use a sub-machine gun.

A note setting out the situation was first sent to missions in London in 1976. A further note was sent in January this year. Most recently, after the siege at the Iranian Embassy in May, a further note has been sent.

British MPs suggested electronic scanning of diplomatic bags. There have also been proposals that these bags should be opened in front of a representative of the receiving nation.

British officials tend to resist these suggestions. They argue that it is relatively easy to disguise a weapon from a scanner and question whether, under the 1961 Vienna Convention on Diplomatic Privileges and Immunities, scanning the bags is permitted.

The concept of diplomatic immunity goes back to the Ancient Greeks. In practice Britain's record is reasonably good, though two events are sometimes cited to prove that in diplomacy there are no angels.

The first was in 1708 when the Russian emissary, Matuoff, was arrested for a civil debt, causing the entire diplomatic corps in London to protest.

The second, systematic spying on diplomatic bags sent in other countries represented at the Sublime Porte in Istanbul, is described in the memoirs of diplomat Lord Hardinge of Penshurst.

## Continued from Page 1

### MLR

equipment and therefore to reducing interest rates."

She came under pressure from Mr. James Callaghan, the Opposition Leader, to bring forward from July 16 the all-day Cabinet meeting called to discuss economic strategy. But Mrs. Thatcher discounted any idea that a change of policy might result from the meeting.

There was a considerable degree of confusion at Westminster after the exchange. It was pointed out that the debate from Brussels would not appear in UK accounts until next spring, the last quarter of this financial year, and that more immediate economic factors would determine a fall in interest rates.

The sharp drop in sterling was in marked contrast to the pound's strength for most of last month.

## BNOC executive quits

BY RAY DAFTER, ENERGY EDITOR

BRITISH NATIONAL OIL Corporation has lost another top executive. It was announced yesterday that Mr. Dick Fowle, the corporation's director of exploration, had left to become exploration manager of London and Scottish Marine Oil.

The announcement follows within days the resignation of Mr. Alastair Morton, a board member and managing director of the State oil corporation.

Mr. Morton has said that his resignation follows appointment of Mr. Philip Shelbourne, a leading banker, as chairman of BNOC.

He added that he disagreed with the way the Government made the appointment. Board members, he said, had not been informed.

Mr. Fowle said yesterday that he left for different reasons. He resigned from the corporation in April.

Within the industry it is known that Mr. Fowle, one of BNOC's most experienced oil men, left without making a statement to avoid controversy such as surrounded Mr. Morton's announced departure.

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Ironically, Mr. Fowle handed in his resignation shortly before the appointment of Mr. Malcolm Ford, formerly deputy managing director of Shell UK Exploration and Production, as a managing director of BNOC.

"I decided to move for the sake of my career," said Mr. Fowle. "LASMO is much smaller than BNOC. However, it is financially strong, with a great will to explore."

London and Scottish Marine Oil, which has a stake in a number of oil and gas discoveries, including the big Ninio Field now on stream, has announced that it plans to join several consortia to bid for new exploration licences in the seventh round of Government

drilling concessions.

It hopes to be the operator—the lead company—in at least one of these groups.

The company announced that as part of its management reorganisation Mr. Terry Stevens, previously exploration and production manager, had become managing director of production and operations.

The loss of both Mr. Morton and Mr. Fowle to BNOC comes as a double blow to both corporation and Government. Both men have been with BNOC for most of its existence.

When Mr. Fowle joined from Burnham Oil in 1977, the State corporation's exploration department had only 30 staff. Today it has about 200.

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## Brazil deficit doubles

By Diana Smith in Brasilia

BRASIL's financial troubles were starkly underlined yesterday when, after months of delay, the Central Bank here revealed that the country's deficit on the current account of its balance of payments virtually doubled in 1979 to \$1,470bn.

This compares with a deficit of \$540bn in 1978.

The basic balance of payments, which includes capital movements, swung into a deficit of \$3.2bn last year after a surplus of \$3.8bn in 1978.

The only apparent bright spot in last year's figures was a substantial increase in new foreign investment, up from \$1.6bn in 1978 to \$2.4bn.

The figures starkly illustrate the problems with which the Brazilian economy began the year, and which have worsened in the first half. At the end of 1979, the trade deficit stood at \$2.7bn, and the services deficit at \$7.7bn.

With estimates for year-end inflation veering between 80 and 90 per cent, and a trade account \$1.82bn in deficit by the end of April, there are signs that the authorities will feel compelled to devise stricter measures to control the balance of payments.

Hugh O'Shaughnessy writes: The Brazilian government is showing increasing signs of anxiety over the balance of payments situation. Last year capital inflows in the form of new loans from abroad dipped substantially from \$13.6bn in 1978 to \$11.7bn. And as all prices on the international market continue to rise, it appears increasingly unlikely that the government will achieve its objective of balancing the visible trade account this year at \$20bn.

Brazil is obliged to import more than 85 per cent of its oil needs.

The country faces growing pressure from its trading partners to dismantle its barriers to imports. Last month Mr. John Nott, the Trade Minister, gave Brazil notice that Britain for one week the seeking action by the EEC if Brazilian import controls were not lowered within a few months.

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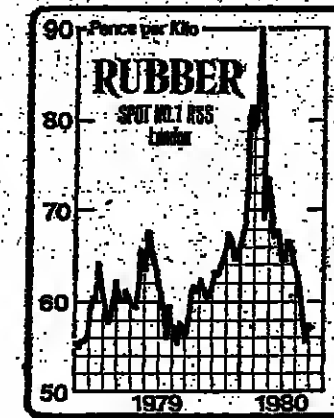
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## THE LEX COLUMN

### Reed completes its recovery

A chance remark by the Prime Minister hinting at lower interest rates knocked three cents off sterling yesterday—a sharp reminder that the currency markets are highly unstable, and that money does not come to London just because of the North Sea.

Index rose 7.3 to 420.0



### Reed International

After last quarter profits of £19.9m pre-tax, against £15.1m—the difference being almost entirely accounted for by a lower interest charge—Reed International's profits for the year to March work out at £98.9m, up from £83.4m in 1978-79. The last quarter would have shown a more pronounced improvement but for £5m of rationalisation costs in the decorative products division.

After yesterday's buoyant results the share price, which had betrayed signs of nervousness on Monday, rebounded 25p to 645p, or more than double the 1979 low.

Adding back the £2m of profits on repurchased stock to reach a comparable figure, pre-tax profits have risen by 45 per cent to £98.9m. The underlying volume of bank note sales rose by about 6 per cent once the effect of the 1978-79 Gateshead strike is taken into account, and this performance should be bettered in the current year with maintained margins.

The success of the 550 and 570 Magnascan ranges has pushed up the comparable contribution from Crosfield Electronics by 41 per cent at the trading level, although tougher trading conditions are likely to squeeze margins in the current year.

So in a more difficult climate profits should emerge in the region of £22m—an effective increase of 15 per cent—to produce a prospective p/e of about 12, fully-taxed. Meanwhile, the cash is mounting up—the net surplus rose by three-quarters last year to £30m. But with memories of Potterton still lively, the company is taking its time on acquisitions.

Still, Reed's withdrawal from the most cyclical paper activities and the transformation of its balance sheet—net debt had fallen to 24 per cent of tangible shareholders' funds, having been pushing 200 per cent a few years ago—leave it in good shape to weather a weakening of activity. Last year's CCA earnings, although flattered by a low tax charge, covered the dividend more than twice, but the stock market, with its long and suspicious memory, still values the shares very cautiously. At 170p, 13p, the yield is 11.1 per cent and the prospective p/e below 5 on a full tax charge.

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completed in a matter of weeks, and is hopeful that compensation will be agreed within the next few months. In that case, the picture would be transformed.

Gross capital employed in December was £277m. That